Consolidated Statement of Earnings

Carter Hawley Hale Stores, Inc.

(In thousands, except per share data)	1984	1983	1982
Sales	$3,724,294	$3,101,682	$2,590,650
Costs and expenses			
Cost of goods sold, including occupancy and buying costs	2,702,055	2,240,404	1,851,566
Selling, general, and administrative expenses	862,272	706,368	599,493
Interest expense and discount, net	117,237	92,345	99,237
	3,681,564	3,039,117	2,550,296
Earnings from continuing operations before nonoperating income and income taxes	42,730	62,565	40,354
Nonoperating income			
Costs relating to unsolicited tender offer	(7,100)		
Gains on sale of joint venture interests		12,768	3,850
Gains on retirement of debentures		4,252	7,956
	(7,100)	17,020	11,806
Earnings from continuing operations before income taxes	35,630	79,585	52,160
Income taxes	8,500	24,200	11,650
Earnings from continuing operations	27,130	55,385	40,510
Discontinued operations			
Earnings (loss) from operations, net of income taxes of ($1,050), $10,600 and $6,450	(510)	12,100	8,515
Gain on sale of Waldenbooks, net of income taxes of $29,850	63,050		
	62,540	12,100	8,515
Net earnings	$ 89,670	$ 67,485	$ 49,025
Primary earnings per common share			
Continuing operations	$ —	$ 1.57	$ 1.27
Discontinued operations	2.75	.36	.28
	$ 2.75	$ 1.93	$ 1.55
Fully diluted earnings per common share			
Continuing operations	$ .83	$ 1.56	$ 1.27
Discontinued operations	1.89	.34	.26
	$ 2.72	$ 1.90	$ 1.53

See accompanying Summary of Significant Accounting Policies and Financial Review.

Consolidated Balance Sheet

Carter Hawley Hale Stores, Inc.

	(In thousands)	February 2, 1985	January 28, 1984
Assets	*Current assets*		
	Cash	$ 22,727	$ 12,902
	Accounts receivable, net	125,524	156,307
	Merchandise inventories	717,300	579,944
	Other current assets	39,487	35,318
		905,038	784,471
	Property and equipment, net	823,569	795,566
	Investment in finance subsidiaries	143,864	157,406
	Net assets of Waldenbooks		169,168
	Other assets	74,735	55,083
		$1,947,206	$1,961,694
Liabilities and Shareholders' Equity	*Current liabilities*		
	Notes payable and current installments	$ 50,370	$ 10,478
	Accounts payable	285,466	246,800
	Accrued liabilities	134,562	128,713
	Dividends payable	5,983	11,134
	Current income taxes	16,933	8,283
	Deferred income taxes	99,648	108,525
		592,962	513,933
	Long term debt	396,654	358,268
	Capital lease obligations	152,006	158,075
	Other liabilities	55,922	55,611
	Long term deferred income taxes	101,496	92,274
	Redeemable preferred stock, $5 par value, stated at redemption value of $300 per share	300,000	
	Nonredeemable preferred stock, common stock, and other shareholders' equity		
	Nonredeemable preferred stock, $5 par value		3,548
	Common stock, $5 par value	95,334	176,703
	Other paid-in capital	140,358	263,796
	Accumulated earnings	112,474	339,486
		$1,947,206	$1,961,694

See accompanying Summary of Significant Accounting Policies and Financial Review.

Consolidated Statement of Changes in Financial Position

Carter Hawley Hale Stores, Inc.

(In thousands)	1984	1983	1982
Cash from continuing operations			
Earnings from continuing operations	$ 27,130	$ 55,385	$ 40,510
Depreciation and amortization	72,278	65,796	59,515
Deferred income taxes	345	25,532	24,946
Gains on sale of joint venture interests, net of income taxes		(8,644)	(2,600)
Gains on retirement of debentures, net of income taxes, excluding gains attributable to the finance subsidiaries		(1,284)	(7,956)
Equity in undistributed earnings of finance subsidiaries		(15,304)	(15,929)
Cash from continuing operations	99,753	121,481	98,486
Cash from discontinued operations, including depreciation and deferred taxes	4,654	22,078	17,369
Cash proceeds from sale of Waldenbooks, net of income taxes of $29,850	265,150		
	369,557	143,559	115,855
Financing			
Net increase in notes payable	41,089		
Issuances of long term debt	50,000	15,000	86,466
Issuance of redeemable preferred stock	300,000		
Issuances of common stock	14,182	66,530	36,358
Retirements of common stock	(478,611)		
Redemption of nonredeemable preferred stock	(5,740)		
Reductions in long term debt and capital lease obligations	(18,880)	(78,695)	(80,442)
Net cash provided (used) by financing	(97,960)	2,835	42,382
Capital investments			
Store property and equipment purchased	(107,284)	(90,100)	(129,469)
Properties sold	1,350	41,545	44,190
Dividends from finance subsidiaries of prior years' earnings	13,542		
Net cash used for capital investments	(92,392)	(48,555)	(85,279)
Dividend payments			
Cash dividends paid	(43,096)	(30,680)	(27,880)
Cash dividends reinvested in common stock	(7,033)	(12,774)	(11,570)
Total dividends paid	(50,129)	(43,454)	(39,450)
Other cash sources (uses)			
Accounts receivable	30,783	(10,492)	(3,985)
Merchandise inventories	(137,356)	(94,574)	(46,143)
Accounts payable and accrued liabilities	44,515	77,083	68,283
Prepaid pension contributions	(12,004)		
Other, net	(45,189)	(20,837)	(55,821)
Net other cash uses	(119,251)	(48,820)	(37,666)
Cash increase (decrease)	$ 9,825	$ 5,565	$ (4,158)

See accompanying Summary of Significant Accounting Policies and Financial Review.

Consolidated Statement of Nonredeemable Preferred Stock, Common Stock, and Other Shareholders' Equity

Carter Hawley Hale Stores, Inc.

	Shares issued		Par value			
(Dollar amounts in thousands)	Non-redeemable preferred	Common	Non-redeemable preferred	Common	Other paid-in capital	Accumulated earnings
Balance, January 30, 1982	901,920	28,920,203	$ 4,510	$144,601	$192,048	$305,880
Net earnings						49,025
Cash dividends						
Common stock						(37,778)
Nonredeemable preferred stock						(1,672)
Issuances of common stock in exchange for debentures		1,357,991		6,790	10,635	
Issuance of common stock under Dividend Reinvestment and Stock Purchase Plan		385,197		1,926	2,912	
Issuance of common stock to Profit Sharing Plan		1,074,545		5,373	8,722	
Conversion of nonredeemable preferred stock	(90,031)	151,888	(451)	759	(308)	
Balance, January 29, 1983	811,889	31,889,824	4,059	159,449	214,009	315,455
Net earnings						67,485
Cash dividends						
Common stock						(41,979)
Nonredeemable preferred stock						(1,475)
Issuance of common stock		2,475,000		12,375	38,757	
Issuance of common stock under Dividend Reinvestment and Stock Purchase Plan		275,996		1,380	3,966	
Issuance of common stock to Profit Sharing Plan		389,249		1,946	5,563	
Conversion of nonredeemable preferred stock	(102,253)	172,528	(511)	863	(352)	
Exercise of stock options		137,975		690	1,853	
Balance, January 28, 1984	709,636	35,340,572	3,548	176,703	263,796	339,486
Net earnings						89,670
Cash dividends						
Common stock						(23,052)
Nonredeemable preferred stock						(71)
Redeemable preferred stock						(27,006)
Issuance of common stock under Employee Stock Ownership Benefit Plan		95,500		477	1,696	
Issuance of common stock under Dividend Reinvestment and Stock Purchase Plan		155,555		778	2,403	
Issuance of common stock to Profit Sharing Plan		263,846		1,319	3,819	
Retirement of common stock		(17,952,700)		(89,763)	(130,516)	(258,332)
Conversion of nonredeemable preferred stock	(582,070)	982,214	(2,911)	4,911	(2,000)	
Redemption of nonredeemable preferred stock	(127,566)		(637)		(1,621)	(3,482)
Exercise of stock options		181,890		909	2,781	
Foreign currency translation adjustment						
Cumulative adjustment—beginning of year						(3,139)
Current year adjustment						(1,600)
Balance, February 2, 1985	—	19,066,877	$ —	$ 95,334	$140,358	$112,474

At February 2, 1985, authorized preferred stock consisted of 5 million shares, $5 par value, and authorized common stock consisted of 60 million shares, $5 par value.

See accompanying Summary of Significant Accounting Policies and Financial Review.

Carter Hawley Hale
1984 Annual Report

To Our Shareholders:

Nineteen eighty-four was an eventful year that saw the company face some of the most important decisions in its history.

It began with a solid performance in the first quarter, which gave us six consecutive quarters of growth in sales, operating income, and net income. It included an unsolicited tender offer for the company from The Limited, Inc., in early April, which led to a series of actions that changed the capital structure of the company, and were taken to protect the inherent long term value of our shareholders' investment. It included a special shareholder meeting in July where these actions were, in effect, ratified by an overwhelming vote of our shareholders. It included the completion of our restructuring program, which has positioned us for growth in sales and earnings per share for the next several years. And the year concluded with a strong improvement in our performance over the last six months, on an operating basis, which bodes well for the future of the company.

The Tender Offer

Most of the attention your company received during the year was a direct result of the unsolicited tender offer. This offer was rejected by the board of directors as inadequate in mid-April, after careful consideration and evaluation by our independent board members, financial advisors, and legal counsel. The fundamental judgment of the board was that the inherent values of the company, after taking into account the restructuring program initiated in 1980, positioned Carter Hawley Hale for earnings growth in the immediate future and beyond. The board then authorized three key actions:
1.) The issuance of one million shares of convertible preferred stock to General Cinema Corporation for \$300 million; 2.) The granting of an option to General Cinema to purchase Waldenbooks for \$285 million; and 3.) The repurchase of approximately half of our common stock on the open market for an aggregate cost of approximately \$479 million.

By issuing the convertible preferred shares to General Cinema Corporation, we were able to acquire a long term investor that believed in the growth potential of the company. At the same time, this transaction provided us with \$300 million in cash, which we used to repurchase some of our common stock on the open market. By repurchasing these shares, we were able to offer those investors who wished to sell their shares an alternative to The Limited's inadequate tender offer, while protecting the interests of our long term investors. We believe those investors who sold their shares to us were mostly arbitrageurs and other market professionals, based on the activity in our stock after The Limited's surprise announcement in the press and the normal dynamics of a tender offer situation. And while General Cinema chose not to exercise its option for Waldenbooks, we were later able to sell this division to K mart Corporation for \$295 million, or about 24 times our net earnings from this division in 1983. This provided us with more cash to pay for the stock repurchase program.

Your board and management believed these actions were in the best interests of all of our shareholders and would permit us to continue to build strong future values for them. Events since April are proving your board's actions were correct.

At the special meeting in July, these actions were, in effect, ratified by an overwhelming vote of our shareholders. On that day, our stock closed at 19.

Since then, Carter Hawley Hale has performed, on an operating basis, at the improved level foreseen by the board. For the six month fall season ended February 2, 1985, earnings from continuing operations before interest expense, income tax, and nonoperating items improved 30 percent, while our sales increased 19 percent.

In addition, our earnings from continuing operations for the period, excluding nonoperating items, improved 26 percent. On a fully diluted earnings per share basis, earnings from continuing operations before nonoperating items were \$1.31 per share compared with \$1.00 in the prior year period, despite one of the most promotional Christmas selling seasons in more than a decade. But most importantly, the performance of our stock has also improved. On the last trading day of our fiscal year, our stock reached a high of 27 and closed at 26⅝. We foresee further improvements in our operating performance in 1985 and are committed to bringing the inherent values of the company into place for the benefit of our shareholders.

Store Modernization and Openings

Store modernization continues to receive a high degree of attention. During 1984, \$45 million was spent on modernization projects throughout the company's divisions. We

essentially completed the improvements we had planned for Bergdorf Goodman, our prestigious specialty store on Fifth Avenue in New York City, adding 21,000 square feet of selling space and dramatically updating the store's interior. These changes contributed to an improvement in sales and profits for this division in 1984. We also completed the improvements at our Neiman-Marcus store in Northpark, Texas, where we added a third floor of selling space.

In 1985, we will continue to focus considerable attention on this aspect of our operations and plan to spend approximately $44 million on store modernization projects.

During 1984, we also continued to carefully expand our franchises. Neiman-Marcus entered the Boston metropolitan area in February with the opening of its store at Copley Plaza. Emporium Capwell had the most successful opening in its history with its new store at Vallco Fashion Park in Cupertino, California. And Contempo Casuals maintained its aggressive expansion by opening 26 stores. At year end, Contempo Casuals operated 105 stores in 11 states.

During the coming year we will be even more active in this area. Neiman-Marcus will enter the Palo Alto, California market; The Broadway–Southern California will open another store in San Diego, California; The Broadway–Southwest will open two stores in Denver, Colorado; and Thalhimers will open a store in Roanoke, Virginia, and add a second store in Charleston, South Carolina. In addition, we plan to open 30 more Contempo Casuals during 1985.

Executive Changes

Company management was strengthened by a number of key executive appointments during 1984 and early 1985. Richard P. Hauser, was appointed a vice president of the company after serving as chairman and chief executive officer of John Wanamaker since 1978. Richard L. Boje, formerly chairman and chief executive officer of Weinstock's, assumed the position of chairman and chief executive officer of John Wanamaker, and Cheryl Nido Turpin, president of Weinstock's, was given the added responsibilities of chief executive officer for that division.

In early April 1985, Howard N. West, executive vice president and chief financial officer, retired after 32 years of valued service. We are fortunate that he will continue to lend us his insight and support as a consultant to the company.

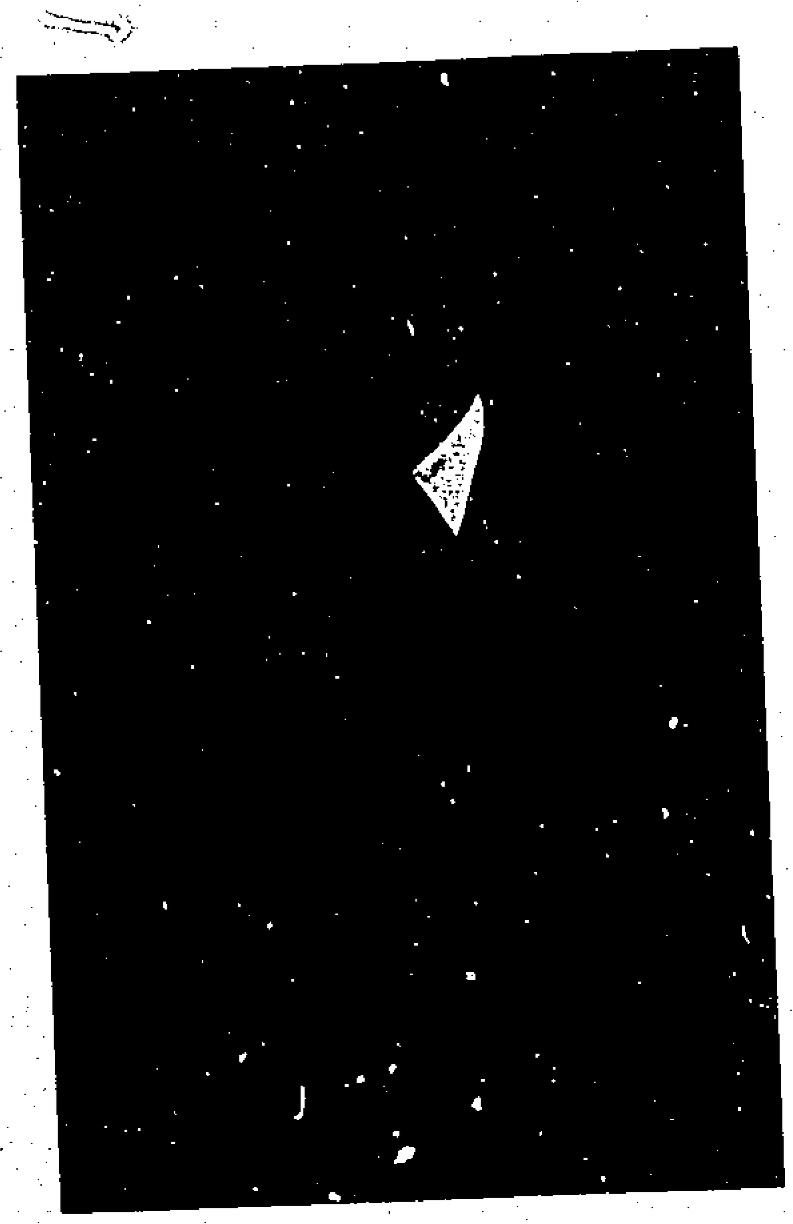
John M. Gailys, who was promoted from vice chairman of Neiman-Marcus to executive vice president, finance and operations, for the company in 1984, has assumed Mr. West's duties as chief financial officer. Edward S. Waterbury, who had served as vice president, control, was promoted to senior vice president, control. And Brian L. Fleming, who was promoted from director of corporate accounting to corporate controller in early 1984, has since been appointed vice president, accounting.

In addition, Harry Levitt, director, investment analysis, was appointed vice president, finance; Dale G. Thune, director, property and sales tax, and assistant treasurer, was appointed vice president, property and sales tax; John F. Busey, director, treasury operations, was appointed treasurer; D. Clair Brumbaugh, director, income tax, was appointed vice president, income tax; Larry Petersen, director, planning and analysis, was appointed vice president, planning and analysis; Francis T. Phalen, treasurer, was named vice president, shortage controller; and Walter W. Tuthill, general auditor, was appointed vice president, general auditor.

We are pleased that these positions could be filled by people long associated with Carter Hawley Hale, and believe this demonstrates the high level of talent we are able to draw on from within the company.

During the year, three valued members of our board of directors—J. Hart Lyon, an executive vice president of the company, Robert Di Giorgio, chairman of Di Giorgio Corporation, and Jerome W. Hull, retired chairman of Pacific Telephone and Telegraph Company—retired from the board and have become honorary directors. We are pleased that their wise counsel will continue to be available to the company.

We also added seven new directors to our board: William L. Brown, chairman and chief executive officer of Bank of Boston Corporation; Samuel Frankenheim, senior vice president and general counsel of General Cinema Corporation; J. Atwood Ives, vice chairman and chief financial officer of General Cinema; Herbert W. Jarvis, president and chief executive officer of Sybron Corporation; Richard A. Smith, chairman and chief executive officer of General Cinema; Robert J. Tarr, Jr., president and chief operating officer of General Cinema; and Hugo Uyterhoeven, Timken Professor of Business Administration at the Harvard Graduate School of Business Administration.



Philip M. Hawley
Chairman and Chief Executive Officer

Outlook for 1985 and Beyond
Carter Hawley Hale's management is committed to becoming the leading fashion retailer in the country and is positioned to begin delivering on the investment we have made in improving our operations and merchandise offerings. Our focus is on the middle and upper income customer living in high growth geographic areas. This population segment has been experiencing an increase in its spending power over the last few years and is predicted to continue to do so. They enjoy the unique experiences and values associated with shopping at our prestigious department and specialty stores, and recognize that quality, service, and price are important considerations in their buying decisions.

In subsequent pages of this annual report, we outline the strategies we have put in place which are helping us build our business. These strategies fit together to enable us to gain a competitive edge through improved productivity and better merchandise selections. Our customers have responded positively to our new direction, justifying our optimism for the future.

Forecasts for the coming year indicate that the economy should continue to grow and that consumer spending will be at very good levels. We intend to take advantage of this situation and believe that 1985 is going to be a very good year for the company. Our future is brighter than ever.

This letter would be incomplete without acknowledging those who have contributed so much to the company during this difficult year—our dedicated 56,000 associates. On behalf of our shareholders, I wish to thank them for the dedication they have shown to the company under extremely trying circumstances. I also want to take this opportunity to express my personal appreciation for the support, spirit, and enthusiasm they demonstrated during the year. I am proud to be associated with them.

Sincerely,

Philip M. Hawley

April 8, 1985

Review of Operations

Carter Hawley Hale Stores, Inc.

The Carter Hawley Hale of today is a more competitive force in the retail field than the company that existed in 1980, the year we began our restructuring program. With the completion of the inventory currency program in mid-1984, we finished this program and positioned the company for significant growth in sales and earnings per share. We believe we now have a competitive edge over other retailers, an edge our shareholders will enjoy over the next several years.

In 1980, completing a decade of growth from acquisition and merger, we faced the need to reevaluate the company as a whole in order to be more integrated in policy direction, more market-driven, and more customer-oriented. After thorough research and evaluation, strategies were developed that predicted to position us as a more effective competitor with strong future growth potential. These initial strategies involved:

1. Restructuring three major department store divisions, which meant consolidating Emporium and Capwells in northern California and dividing our largest business, The Broadway, into two parts, one serving southern California and the other to serve Arizona, Colorado, Nevada, and New Mexico;

2. Establishing a corporate marketing department to provide trend identification and important consumer market analysis reporting for our merchants;

3. Organizing a product development office to develop proprietary merchandise unique to Carter Hawley Hale, and to supply centralized buying services for our divisions;

4. Launching a massive effort to develop systems, equipment, and technology that would put our company and its managers in the forefront of the industry by 1985.

The implementation of these strategies involved time, money, and energy, and took longer to complete, in certain instances, than we anticipated. But their value and contribution to the streamlining of our operations and the reduction of expenses soon became apparent.

While the above strategies addressed our operational needs, we realized we also needed to redirect our merchandising programs for our largest business segment—our department stores. In essence, we decided that Carter Hawley Hale needed to undergo a complete cultural change in our approach to merchandising.

In late 1982, we launched an all-encompassing program to address these needs. Today, our store marketing and

Gaining competitive edge

Development of quality merchandise that earns our stores customer loyalty requires unique styling, excellent workmanship, and competitive, value-based pricing.

At our Market Services division in New York City, 130 professional and support personnel work with merchants from our store divisions to improve market share by identifying opportunities relating to target customers, merchandise trends, and worldwide resources. Market Services' large-scale purchasing programs produce major economies for the company. Our own private-label merchandise offers excellent opportunity for further growth.

Shoppers base their perception of quality on how well a product performs, its durability, and longevity. In developing exclusive merchandise for our customers, we are able to provide design control and product testing that ensure quality and enhance the reputation of our stores.

merchandising strategies have been strongly redirected so that we have become more value- and customer-driven.

Inventories, our largest physical asset, have been built up so that we now offer the customer what we believe are the widest selections available. We did not however, simply add merchandise to the sales floor. We identified those departments that offered us the opportunity to dominate a business, in effect to become the primary source for these goods in the minds of our customers, and built wide selections accordingly.

Conversely, we identified and began to eliminate those departments where we could not predict to be able to compete as effectively as other retailers, or which did not meet our long-term standards for profit. This allowed us to convert this store space into more profitable departments offering wide selections of merchandise.

But offering wide selections was only part of the redirection we decided to take. These selections had to be fresh and up-to-date in order to satisfy the rapidly changing desires of today's customer.

We established new standards and guidelines on markdowns to bring this about and implemented our inventory currency program over 1983 and 1984. We believe we are now offering our customers some of the freshest merchandise available in most departments, and are generally ahead of the industry currency average in other departments. The outstanding growth in sales Carter Hawley Hale has experienced over the last two years is evidence of our customers' favorable response to this strategy decision.

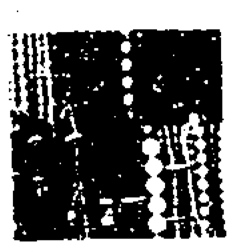
Competitive pricing was another area we addressed. We are now committed to being competitively priced in all the merchandise offered through our department stores. To do this, we have combined the merchandising talents of our buyers with the latest in high technology, with the result being that we are buying, pricing, and managing our inventories more efficiently.

In essence, the objective of these strategies is to hold down expenses while generating higher sales volume per square foot of store space through improved productivity. We have articulated this throughout every level of our organization, and division management performance is now evaluated in terms of their successful application of these stated marketing and merchandising strategies.

The improvements in our operations are becoming apparent. Through January 1985, we have produced 25 consecutive months of double-digit sales increases, a per-


GUESS


GUESS




GUESS

Sending clear signals

Effective use of expansion capital is exemplified in our highly successful Emporium Capwell store opened in 1984 in Cupertino, California, in a mall patronized by an affluent customer base.

Following its purchase from another company in 1983, we implemented a "headquarters" approach to merchandising that has helped us achieve 50 percent more sales volume than the store's previous owner. Headquarters merchandising gives our customers a clear signal of depth, assortment, value, and dependability. For example, the juniors department is a store within a store, with two interior entrances and its own well marked exterior entrance from the mall.

Carter Hawley Hale's corporate marketing department assists divisions in identifying key growth opportunities so that departments with high profit potential can be given more space and their buyers can make more accurate purchasing decisions.

Departments such as designer apparel, shoes, cosmetics, accessories, domestics, housewares, and electronics send strong fashion and value signals and serve as "magnets" to draw customers to our stores as the first choice for a satisfying and exciting shopping experience.

formance that is one of the best in the retail industry. In addition, operating expenses as a percentage of sales have been reduced, with further reductions planned for 1985.

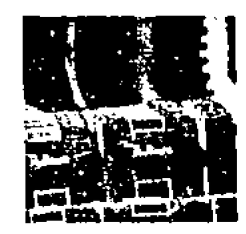
Instituting such strategies on a company-wide basis was a complex task. Likening the company to a huge ship, making a substantial change in course required gradual turns of the wheel and sufficient time to see the results. Much of the progress we have made is the result of the creation of two new divisions within the past few years: Market Services, based in New York City, and Information Services, based in Anaheim, California.

Market Services' mission is to help the company's stores profitably increase market share through more effective marketing and merchandising, principally through the development of exclusive private-label merchandise and large scale purchasing programs. Market Services' staff also provides divisions with extensive market research on fashion trends and consumer preferences, and develops worldwide resources for the manufacture of merchandise to the exact quality and style specifications that division buyers know their customers want.

In 1984, Market Services nearly doubled the volume of merchandise developed for divisional needs. This merchandise, including such company brand names as Cassis, Cadaz, and Neil Martin, not only differentiates our stores from competing stores and gives our customers compelling reasons to shop with us, but also allows us the ability to lower our merchandise costs through the large economies of scale that we realize when we buy in concert for all of our divisions.

Information Services, which provides data processing and systems development for the company's divisions, has been called the "arteries" of Carter Hawley Hale. Because this division services a network of nearly 270 stores from a central location, it eliminates redundancies and standardizes reporting methods, thereby facilitating the flow and exchange of information from which all of our people can benefit.

We have invested heavily in time and money to develop common languages and mutually beneficial data systems for our divisions. These common systems generally fall within four categories: merchandising, credit, human resources, and finance. We are now high up on the "learning curve" of invention and are implementing these systems and extrapolating new and more precise applica-



Stimulating customer response

One of the most important purchasing motivators—aside from service and the merchandise itself—is how well the merchandise is displayed. Stores that we opened or remodeled during the past two years are designed to hold considerably more merchandise than older stores, and demand high standards to be met for visual display.

Successful merchandise presentation involves the proper space allocation, lighting, color, fashion suggestion through the use of mannequins and wall displays, and mirrors that make customer self-appraisal easy. Thalhimers' new store in the Mall of Memphis, opened in 1983, has quickly become one of the top sales achievers in the division's network of 25 stores by skillfully executing the principles of successful visual presentation.

Good ideas flow when divisions work together to achieve goals. Corporate and divisional store planners tour new and remodeled stores so that they can mutually benefit from proven, innovative design and visual presentation techniques.

Visual presentation staff members conduct seminars for trainees in the company's management development program so that, early in their retail careers, they can develop an understanding of the critical importance of visual presentation.

tions directed at serving our customers better, curbing costs, and improving profits. And the mastery of these systems is no longer confined to the mystery world of the computer experts. We believe in putting technology, and the information it can supply, at the fingertips of the people who need to make decisions—the "knowledge workers"—our buyers, department managers, and so on, up to senior management.

For example, our credit management system, now in use in all divisions, has eliminated the need for phone calls to the store credit offices to check on the status of accounts, thereby improving customer service. In addition, it has enabled us to sharply reduce uncollectable customer charge accounts.

In another area, human resource systems have greatly facilitated the implementation of commission selling in our stores, a compensation method that also encourages better customer service. The value of merchandise sold by each sales person is automatically captured by our point of sale terminals and transmitted to the payroll system.

On the other hand, our inventory management systems are an example of how we use technology to offer our customers fresh merchandise. These systems enable us to determine how much of a given item has been in each store for how long a time. They not only allow us to take timely markdowns on slow moving merchandise, but also help us determine when and in what quantities we should reorder fast selling merchandise. By improving our stock management techniques through the use of technology and good merchant talent, we are improving the productivity of our largest asset, our inventories. Improvement in our productivity of assets is a key component in our program to improve the return on shareholder investment.

Both Market Services and Information Services are helping our merchants make accurate decisions about what the customer wants, whether we are providing it, and, if not, what we must do to position ourselves to do so. This takes form in more cost-effective operations—by enabling our merchants to monitor inventories and sales trends, to analyze their buying status with vendors, and to make corrections in a timely manner that will improve their gross margins. It takes form through access to new and different

Improving productivity

Neiman-Marcus's 20-year-old NorthPark store in suburban Dallas was one of the division's most profitable stores even prior to its remodeling in 1984.

With a new third floor added to its previous two levels, it has become an example of Carter Hawley Hale's commitment to improve the productivity of assets and achieve higher profitability by making better use of the equity we have built up in existing stores. The new floor adds 43,600 square feet of selling space for high gross margin merchandise like china, silver, and gifts, and frees up space on the original two floors for expansion of apparel lines.

Customers in our stores can access a bridal and gift registry data base stored at our Information Services division in Anaheim, California, by merely touching the screen of a display terminal in response to the computer's questions. Within minutes, they receive printouts indicating the current status of items to be purchased on their friends' "wish lists."

Carter Hawley Hale is always on the lookout for synergistic opportunities among its divisions. At Emporium Capwell's Oakland store, customers shopping in the "Good Buy" basement department can find attractive values in leftover merchandise from Neiman-Marcus's stores. Thus, company unity in working toward common goals pays off in benefits that accrue to the customer, too.

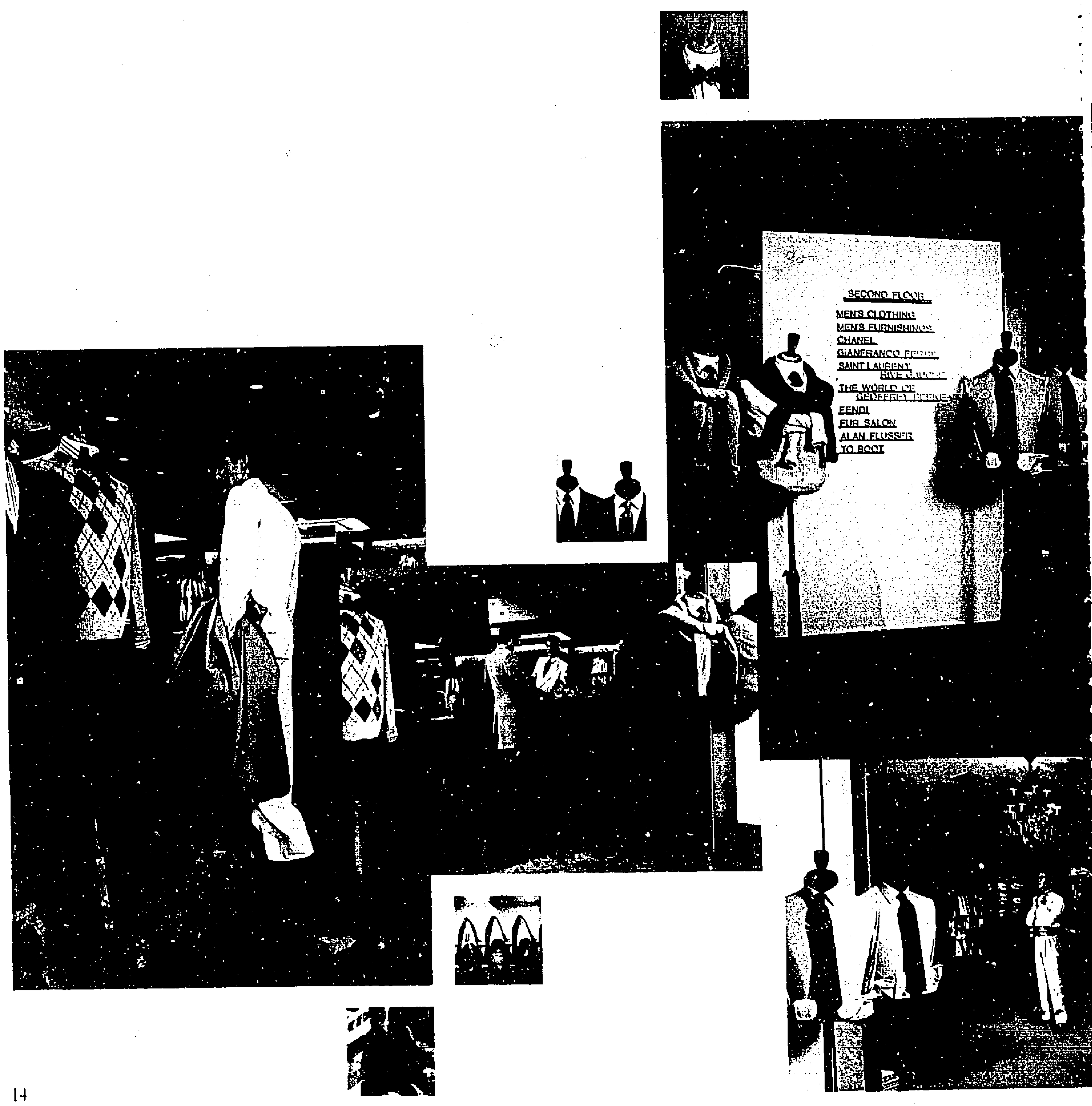
wholesale markets and through the resulting differentiation of our merchandise. It takes form in fresh and plentiful inventories that send a clear signal to customers seeking dependability and fashion opinion from our stores.

Visual presentation also plays a large role in the achievement of our objectives and is another area of our operations that has dramatically improved. Stores opened within the past two years were designed so that they can hold significantly more merchandise than older existing stores with the same interior space. Walkways are designed to pull customers toward important focal points of merchandise. And because the walkways are located toward the center of the store, rather than its periphery, merchandise departments are at each side of the shoppers, giving them an unobstructed view to a depth of 30 feet. The most recent applications of this concept are at Emporium Capwell's stores in Hayward and Cupertino, California. Both stores had been owned by another company prior to our purchase and interior redesign. Each is generating more than 50 percent more sales volume than their previous owners had been able to achieve.

Creation of more selling space—both horizontally and vertically, through the effective use of walls that keep merchandise within reach but allow for creative presentation of fashion ideas—permits merchants to establish dominant merchandise classification "headquarters." Departments like shoes, handbags, blouses, men's shirts, better dresses, domestics, and electronics can be developed with full inventories to offer the widest selections available in a given market, thereby acting as magnets to draw customers to our stores. When a customer looks at our merchandise assortments we want that customer to think, "If I can't find it here, I probably can't find it anywhere."

Our market research activities are designed to determine how we can attract greater numbers of shoppers to our stores and how we can increase the customer's spending per shopping trip. We have analyzed our target customer segments and the factors that influence their shopping decisions. We focus our efforts on segments of the consumer market with the largest discretionary income, generally in the middle and upper income groups. We know that today's shoppers are increasingly adept at seeking the best value for themselves, and that they define value in terms of price, quality, fashion, and service—not just price alone. This is especially true for our prime target—the "updated" customer—who is a maturing "baby boomer," younger than the average customer, significantly better educated, earning well above the average income, and

Carter Hawley Hale Stores, Inc.



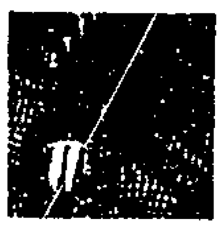
Providing our customers with excellence

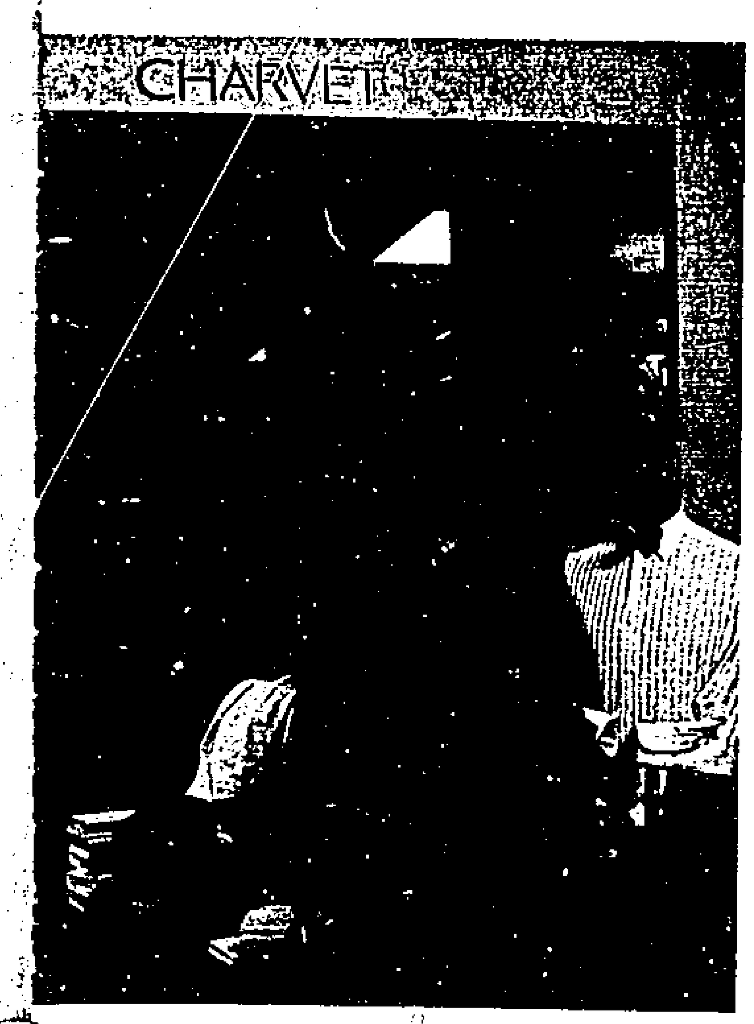
Improving customer convenience was a major objective in the renovation and restoration of Bergdorf Goodman on New York's Fifth Avenue.

With the completion of the first phase of the store's modernization program, customers have escalators to transport them quickly between the store's seven floors, and, by the end of 1985, 50 percent more selling space will have been created in which to send the best fashion message with a large quantity of visibly displayed merchandise.

The store attracts a broad spectrum of fashion-conscious shoppers with an ambience where traditional coexists with contemporary. Understanding those customers led to unconventional location assignments for men's apparel, with the main floor department focused on the exciting and rapidly changing trends in men's sportswear, and the second floor devoted to tailored clothing and men's furnishings. Arriving by escalator, customers are greeted by the very elegant Charvet shirt shop, inspired by the original in Paris, and the outspoken British fashion statement of Turnbull & Asser.

The high level of personal service in our specialty stores is the standard we have set for our department stores to emulate. New computer technology performs many manual tasks, giving sales staff more time to attend to our customers.





probably part of a dual-career white-collar employed couple. The "updated" customer's taste is right for the times and moves with the times. He or she enjoys the shopping experience and believes it is important to dress well both professionally and socially. This customer spends an estimated 50 to 75 percent more on apparel and items for the home than other shoppers.

Among the many merchandising opportunities the updated customer presents, we have identified career wear for both men and women, dual purpose apparel for both work and late day social occasions, active and athletic wear, home textiles and electronics. We project that within the next five years, this customer segment will account for as much as half of total department store sales.

Having the right merchandise for our customers is only part of the equation in our kind of retailing. Customer service is the other part. Carter Hawley Hale's Neiman-Marcus division has an outstanding history of providing the finest customer service in the industry. We are now using this experience to improve customer service in our department store divisions. Today's shoppers expect knowledgeable sales assistance and a broad range of store services to make their shopping experience time-saving as well as enjoyable.

Our major strategies work together to make this possible. The technology we have put in place makes current data on inventories immediately accessible, thus freeing the salesperson's time from manual stock counts, markdowns, and inter-divisional merchandise transfers, so more time can be spent with customers. To encourage and reward high sales achievement, in 1984 we piloted individual and group incentive programs in several divisions where such programs had not been previously used. Training programs have been strengthened and higher standards for employment and retention have been put in place. In all divisions, goals have been set for increasing the proportion of full-time to part-time sales support, an important factor in improving the productivity of sales people.

In summary, major steps have been taken to improve our operations. We have successfully completed a major organizational restructuring program and revamped our merchandising strategies to compete more effectively in the retail environment of the 1980s. Our customers have recognized the improvements we have made and responded positively. We are confident that the long-term value of our shareholders' investment has improved and that we are prepared to meet the challenges the future holds for Carter Hawley Hale.

Five Year Divisional Summary

Carter Hawley Hale Stores, Inc.

	Information as of year end. Gross store space in thousands of square feet.	1984	1983	1982	1981	1980
Department Stores	*The Broadway—Southern California*					
	Number	40	40	40	40	40
	Store space	6,971	6,971	6,971	7,052	7,058
	The Broadway—Southwest					
	Number	10	10	10	9	9
	Store space	1,609	1,609	1,609	1,472	1,472
	Emporium Capwell					
	Number	22	21	20	20	19
	Store space	5,246	5,065	4,934	4,927	4,746
	Thalhimers					
	Number	25	26	25	25	24
	Store space	2,445	2,507	2,373	2,373	2,252
	John Wanamaker					
	Number	16	16	16	16	16
	Store space	4,356	4,356	4,356	4,356	4,356
	Weinstock's					
	Number	12	12	12	12	12
	Store space	1,935	1,935	1,935	1,935	1,929
	Total Department Stores					
	Number	125	125	123	122	120
	Store space	22,562	22,443	22,178	22,115	21,813
Specialty Stores	*Bergdorf Goodman*					
	Number	1	1	1	1	1
	Store space	250	250	250	250	250
	Contempo Casuals					
	Number	105	79	66	51	45
	Store space	429	323	274	215	190
	Holt Renfrew					
	Number	16	17	17	18	18
	Store space	538	546	500	504	504
	Neiman-Marcus					
	Number	21	20	18	16	13
	Store space	3,106	2,944	2,622	2,347	1,995
	Total Specialty Stores					
	Number	143	117	102	86	77
	Store space	4,323	4,063	3,646	3,316	2,939
	Total Operations					
	Number	268	242	225	208	197
	Store space	26,885	26,506	25,824	25,431	24,752

Management's Discussion and Analysis of Results of Operations and Financial Condition

Carter Hawley Hale Stores, Inc.

Results of Operations

The Company achieved record sales in 1984. Sales were $3.7 billion for the year, an increase of 20.1 percent compared with increases of 19.7 percent in 1983 and 4.2 percent in 1982. On a comparative store basis, sales increases for the last three years were 15.7 percent, 15.6 percent, and 2.1 percent. Sales for the fourth quarter were $1.3 billion, an increase of 18.9 percent over last year.

Management believes that the effect of inflation on the above sales gains is approximated by the Department Store Inventory Price Index published by the Bureau of Labor Statistics (BLS Index). The BLS Index increased 1.0 percent in 1984, 2.7 percent in 1983, and 2.8 percent in 1982.

Net earnings were $89.7 million in 1984, $67.5 million in 1983, and $49.0 million in 1982, resulting in increases over the prior year of 32.9 percent, 37.7 percent, and 9.5 percent. Fully diluted earnings per share were $2.72 in 1984, $1.90 in 1983, and $1.53 in 1982. In July 1984, the Company sold the Waldenbooks division. Earnings from continuing operations were $27.1 million in 1984, compared with $55.4 million in 1983 and $40.5 million in 1982, resulting in a decrease of 51.0 percent in 1984 and increases of 36.7 percent in 1983 and 3.0 percent in 1982. In order to understand better the Company's operating earnings trends, management believes it is helpful to examine earnings from continuing operations before interest expense, nonoperating income, and income taxes. These earnings were $160.0 million in 1984, $154.9 million in 1983, and $139.6 million in 1982, resulting in increases of 3.3 percent in 1984, 11.0 percent in 1983, and 2.2 percent in 1982.

The rate of earnings increase in 1984 was affected by the costs to complete the Company's inventory currency program during the second quarter of 1984 and by the intense promotional activity in the 1984 Christmas season which resulted in above-normal markdowns. These effects were partially offset by a LIFO credit which was primarily due to lower inflation, increased inventory levels, and increased markdowns.

The six-month Spring Season 1984 marked the Company's completion of major restructuring of operations and changes in merchandising strategies. The results for the six-month Fall Season 1984 reflected a return to favorable earnings trends. Fully diluted earnings per common share from continuing operations before nonoperating income were $1.31 in Fall 1984 compared to $1.00 in Fall 1983.

The major factors affecting earnings in 1983 were improved operating profits of specialty stores, and a significant decline in the ratio of expenses to sales due to sales growth and improved expense management. These improvements were partially offset by lower operating profit of department store operations, due to lower gross margin ratios.

Interest expense was 3.1 percent of sales in 1984, compared with 3.0 percent in 1983 and 3.8 percent in 1982. The increase in 1984 was due to higher average short term borrowings, primarily for working capital purposes, and higher average short term interest rates.

Nonoperating income consisted of costs relating to the unsolicited tender offer in 1984 and gains on the sale of joint venture interests and retirement of debentures in 1983 and 1982.

The effective income tax rate was 23.9 percent in 1984, compared with 30.4 percent in 1983 and 22.3 percent in 1982. The decrease in the effective income tax rate in 1984 was primarily due to lower pretax earnings in relation to the level of investment credit and ESOB Plan credit and to the effect of the tender offer costs in 1984. These effects were partly offset by capital gains benefits in 1983. The increase in the effective income tax rate in 1983 was primarily due to the effect of nontaxable gains on exchange of common stock for debentures in 1982 and the lower level of investment credit in 1983, partly offset by higher 1983 capital gains benefits.

Reference is made to the Ten Year Financial Summary for historical information.

Financial Condition

The Company and its finance subsidiaries utilize internally generated funds and short and long term borrowings to finance working capital needs, principally for accounts receivable and inventories.

Actions taken by the Company in response to the unsolicited tender offer by The Limited have resulted in certain changes to the balance sheet during the year. In April 1984, the Company purchased 17,952,700 shares of its common stock for $478.6 million and sold one million shares of redeemable preferred stock to General Cinema Corporation for $300.0 million. In July 1984, the Company sold its Waldenbooks division to K mart Corporation for $295.0 million. Also in July 1984, the Company redeemed the outstanding shares of its nonredeemable preferred stock for $5.7 million.

In October 1984, the Company and Credit Corp. entered into a $500 million Credit Agreement, which replaced the revolving credit agreements then in effect. At February 2, 1985, no amounts were borrowed under the Credit Agreement. The Company and Credit Corp. also share unsecured lines of credit totaling $180.0 million at February 2, 1985, of which $96.8 million were available for additional borrowing.

Charge account term modifications during the last three years to increase the minimum monthly payment on charge accounts, the minimum purchase on long term revolving accounts, and finance charge rates have reduced the cost of credit and significantly increased receivables turnover.

Cash flow has been improved through ongoing programs involving inventory turnover, cash management, reduction of surplus investments, and improved management of other asset and liability accounts.

The Company finances its capital expenditure needs through a combination of internally generated funds from operations, access to debt markets, property financings, and additional equity. During 1984, capital expenditures for new store space, store modernization, and support facilities and equipment were $107.3 million, compared with $90.1 million in 1983. During 1984, the Company opened one department store and 27 specialty stores.

During the next five years, the Company anticipates investing approximately $700 million for new store space, remodeling projects, and modernization. Less than 45 percent of the capital expenditure plan is committed.

Consolidated Statement of Earnings

Carter Hawley Hale Stores, Inc.

(In thousands, except per share data)	1984	1983	1982
Sales	$3,724,294	$3,101,682	$2,590,650
Costs and expenses			
Cost of goods sold, including occupancy and buying costs	2,702,055	2,240,404	1,851,566
Selling, general, and administrative expenses	862,272	706,368	599,493
Interest expense and discount, net	117,237	92,345	99,237
	3,681,564	3,039,117	2,550,296
Earnings from continuing operations before nonoperating income and income taxes	42,730	62,565	40,354
Nonoperating income			
Costs relating to unsolicited tender offer	(7,100)		
Gains on sale of joint venture interests		12,768	3,850
Gains on retirement of debentures		4,252	7,956
	(7,100)	17,020	11,806
Earnings from continuing operations before income taxes	35,630	79,585	52,160
Income taxes	8,500	24,200	11,650
Earnings from continuing operations	27,130	55,385	40,510
Discontinued operations			
Earnings (loss) from operations, net of income taxes of ($1,050), $10,600 and $6,450	(510)	12,100	8,515
Gain on sale of Waldenbooks, net of income taxes of $29,850	63,050		
	62,540	12,100	8,515
Net earnings	$ 89,670	$ 67,485	$ 49,025
Primary earnings per common share			
Continuing operations	$ —	$ 1.57	$ 1.27
Discontinued operations	2.75	.36	.28
	$ 2.75	$ 1.93	$ 1.55
Fully diluted earnings per common share			
Continuing operations	$ .83	$ 1.56	$ 1.27
Discontinued operations	1.89	.34	.26
	$ 2.72	$ 1.90	$ 1.53

See accompanying Summary of Significant Accounting Policies and Financial Review.

Consolidated Balance Sheet

Carter Hawley Hale Stores, Inc.

	(In thousands)	February 2, 1985	January 28, 1984
Assets	*Current assets*		
	Cash	$ 22,727	$ 12,902
	Accounts receivable, net	125,524	156,307
	Merchandise inventories	717,300	579,944
	Other current assets	39,487	35,318
		905,038	784,471
	Property and equipment, net	823,569	795,566
	Investment in finance subsidiaries	143,864	157,406
	Net assets of Waldenbooks		169,168
	Other assets	74,735	55,083
		$1,947,206	$1,961,694
Liabilities and Shareholders' Equity	*Current liabilities*		
	Notes payable and current installments	$ 50,370	$ 10,478
	Accounts payable	285,466	246,800
	Accrued liabilities	134,562	128,713
	Dividends payable	5,983	11,134
	Current income taxes	16,933	8,283
	Deferred income taxes	99,648	108,525
		592,962	513,933
	Long term debt	396,654	358,268
	Capital lease obligations	152,006	158,075
	Other liabilities	55,922	55,611
	Long term deferred income taxes	101,496	92,274
	Redeemable preferred stock, $5 par value, stated at redemption value of $300 per share	300,000	
	Nonredeemable preferred stock, common stock, and other shareholders' equity		
	Nonredeemable preferred stock, $5 par value		3,548
	Common stock, $5 par value	95,334	176,703
	Other paid-in capital	140,358	263,796
	Accumulated earnings	112,474	339,486
		$1,947,206	$1,961,694

See accompanying Summary of Significant Accounting Policies and Financial Review.

Consolidated Statement of Changes in Financial Position

Carter Hawley Hale Stores, Inc.

(In thousands)	1984	1983	1982
Cash from continuing operations			
Earnings from continuing operations	$ 27,130	$ 55,385	$ 40,510
Depreciation and amortization	72,278	65,796	59,515
Deferred income taxes	345	25,532	24,946
Gains on sale of joint venture interests, net of income taxes		(8,644)	(2,600)
Gains on retirement of debentures, net of income taxes, excluding gains attributable to the finance subsidiaries		(1,284)	(7,956)
Equity in undistributed earnings of finance subsidiaries		(15,304)	(15,929)
Cash from continuing operations	99,753	121,481	98,486
Cash from discontinued operations, including depreciation and deferred taxes	4,654	22,078	17,369
Cash proceeds from sale of Waldenbooks, net of income taxes of $29,850	265,150		
	369,557	143,559	115,855
Financing			
Net increase in notes payable	41,089		
Issuances of long term debt	50,000	15,000	86,466
Issuance of redeemable preferred stock	300,000		
Issuances of common stock	14,182	66,530	36,358
Retirements of common stock	(478,611)		
Redemption of nonredeemable preferred stock	(5,740)		
Reductions in long term debt and capital lease obligations	(18,880)	(78,695)	(80,442)
Net cash provided (used) by financing	(97,960)	2,835	42,382
Capital investments			
Store property and equipment purchased	(107,284)	(90,100)	(129,469)
Properties sold	1,350	41,545	44,190
Dividends from finance subsidiaries of prior years' earnings	13,542		
Net cash used for capital investments	(92,392)	(48,555)	(85,279)
Dividend payments			
Cash dividends paid	(43,096)	(30,680)	(27,880)
Cash dividends reinvested in common stock	(7,033)	(12,774)	(11,570)
Total dividends paid	(50,129)	(43,454)	(39,450)
Other cash sources (uses)			
Accounts receivable	30,783	(10,492)	(3,985)
Merchandise inventories	(137,[illegible]56)	(94,574)	(46,143)
Accounts payable and accrued liabilities	44,515	77,083	68,283
Prepaid pension contributions	(12,004)		
Other, net	(45,189)	(20,837)	(55,821)
Net other cash uses	(119,251)	(48,820)	(37,666)
Cash increase (decrease)	$ 9,825	$ 5,565	$ (4,158)

See accompanying Summary of Significant Accounting Policies and Financial Review.

Consolidated Statement of Nonredeemable Preferred Stock, Common Stock, and Other Shareholders' Equity

Carter Hawley Hale Stores, Inc.

(Dollar amounts in thousands)	Shares issued: Non-redeemable preferred	Shares issued: Common	Par value: Non-redeemable preferred	Par value: Common	Other paid-in capital	Accumulated earnings
Balance, January 30, 1982	901,920	28,920,203	$ 4,510	$144,601	$192,048	$305,880
Net earnings						49,025
Cash dividends						
Common stock						(37,778)
Nonredeemable preferred stock						(1,672)
Issuances of common stock in exchange for debentures		1,357,991		6,790	10,635	
Issuance of common stock under Dividend Reinvestment and Stock Purchase Plan		385,197		1,926	2,912	
Issuance of common stock to Profit Sharing Plan		1,074,545		5,373	8,722	
Conversion of nonredeemable preferred stock	(90,031)	151,888	(451)	759	(308)	
Balance, January 29, 1983	811,889	31,889,824	4,059	159,449	214,009	315,455
Net earnings						67,485
Cash dividends						
Common stock						(41,979)
Nonredeemable preferred stock						(1,475)
Issuance of common stock		2,475,000		12,375	38,757	
Issuance of common stock under Dividend Reinvestment and Stock Purchase Plan		275,996		1,380	3,966	
Issuance of common stock to Profit Sharing Plan		389,249		1,946	5,563	
Conversion of nonredeemable preferred stock	(102,253)	172,528	(511)	863	(352)	
Exercise of stock options		137,975		690	1,853	
Balance, January 28, 1984	709,636	35,340,572	3,548	176,703	263,796	339,486
Net earnings						89,670
Cash dividends						
Common stock						(23,052)
Nonredeemable preferred stock						(71)
Redeemable preferred stock						(27,006)
Issuance of common stock under Employee Stock Ownership Benefit Plan		95,500		477	1,696	
Issuance of common stock under Dividend Reinvestment and Stock Purchase Plan		155,555		778	2,403	
Issuance of common stock to Profit Sharing Plan		263,846		1,319	3,819	
Retirement of common stock		(17,952,700)		(89,763)	(130,516)	(258,332)
Conversion of nonredeemable preferred stock	(582,070)	982,214	(2,911)	4,911	(2,000)	
Redemption of nonredeemable preferred stock	(127,566)		(637)		(1,621)	(3,482)
Exercise of stock options		181,890		909	2,781	
Foreign currency translation adjustment						
Cumulative adjustment—beginning of year						(3,139)
Current year adjustment						(1,600)
Balance, February 2, 1985	—	19,066,877	$ —	$ 95,334	$140,358	$112,474

At February 2, 1985, authorized preferred stock consisted of 5 million shares, $5 par value, and authorized common stock consisted of 60 million shares, $5 par value.

See accompanying Summary of Significant Accounting Policies and Financial Review.

Summary of Significant Accounting Policies

Carter Hawley Hale Stores, Inc.

Basis of Reporting	The consolidated financial statements include the accounts of the Company and all subsidiaries except the finance subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation. Pretax earnings of the finance subsidiaries, before noninterest items, are included in the Consolidated Statement of Earnings as a reduction of interest expense. Prior year finance charge income has been reclassified from sales to selling, general, and administrative expenses. The Company's Waldenbooks division was sold in July 1984 and, accordingly, has been accounted for as a discontinued operation in all periods presented.
Fiscal Year	The Company's fiscal year ends on the Saturday closest to January 31st. Fiscal year 1984 comprised 53 weeks and ended on February 2, 1985. Fiscal years 1983 and 1982 comprised 52 weeks and ended on January 28, 1984 and January 29, 1983.
Sales	Sales are net of returns, exclude sales tax, and comprise merchandise, services, and sales by leased departments.
Customer Accounts Receivable	An account is generally written off when the aggregate of payments made in the most recent six months is less than one full monthly scheduled payment or if it is otherwise determined that the account is uncollectable.
Inventories	Merchandise inventories are valued at cost, which is less than market, as determined by the retail method on the last-in, first-out (LIFO) basis.
Property and Equipment	Property and equipment are recorded at cost and include major renewals and improvements of a permanent nature. Other renewals and improvements and maintenance and repairs are expensed.
Depreciation and Amortization	Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the property and equipment or over the lives of the related leases, if such periods are shorter.
Store Preopening	Store opening and preopening costs are charged to selling, general, and administrative expenses during the year of the store opening.
Income Taxes	Income taxes are provided currently for all items included in the Consolidated Statement of Earnings regardless of when such taxes are payable. Deferred taxes related to current items arise principally from income on the balances due on installment sales. Deferred taxes related to noncurrent items result principally from accelerated depreciation. Income taxes are reduced currently for investment tax credits using the flow-through method.
Pensions	Pension plan expense is computed under accepted actuarial methods and includes amounts necessary to provide for current service costs, amortization of prior service costs principally over 30 years, and interest on unfunded amounts.
Earnings Per Share of Common Stock	Primary earnings per share are computed on the basis of the weighted average number of shares outstanding during the year, including dilutive stock options, after deduction of preferred dividend requirements. Fully diluted earnings per share are computed on the assumption that all of the outstanding convertible debentures and preferred stock were converted into common stock at the beginning of the year, or date of issuance if later, eliminating preferred dividend requirements and interest, less tax, on the convertible debentures.

Company Operations

The Company is a retailer of merchandise through department stores and specialty stores. Department stores include The Broadway–Southern California, The Broadway–Southwest, Emporium Capwell, Thalhimers, John Wanamaker, and Weinstock's. Specialty stores include Bergdorf Goodman, Contempo Casuals, Holt Renfrew, and Neiman-Marcus. Financial information by operating group is as follows:

(Dollar amounts in millions)	1984	Percent of total	1983	Percent of total	1982	Percent of total
Sales						
Department stores	$2,749.9	73.8%	$2,304.8	74.3%	$1,948.6	75.2%
Specialty stores	974.4	26.2	796.9	25.7	642.0	24.8
Total	$3,724.3	100.0%	$3,101.7	100.0%	$2,590.6	100.0%
Operating profit						
Department stores	$ 111.6	52.9%	$ 118.0	59.0%	$ 130.6	73.5%
Specialty stores	99.3	47.1	81.9	41.0	47.1	26.5
	210.9	100.0%	199.9	100.0%	177.7	100.0%
Corporate expense, net	51.0		45.0		38.1	
Interest expense and discount	117.2		92.3		99.2	
Earnings from continuing operations before nonoperating income and income taxes	42.7		62.6		40.4	
Nonoperating income	(7.1)		17.0		11.8	
Earnings from continuing operations before income taxes	$ 35.6		$ 79.6		$ 52.2	

Net corporate expense includes administrative and general expenses relating to corporate finance, personnel, real estate and construction, legal, and investment functions.

Sales gains by operating group and by quarter were as follows:

	1984		1983		1982	
Operating group	All stores	Comparative stores	All stores	Comparative stores	All stores	Comparative stores
Department stores	19.3%	16.9%	18.3%	16.9%	4.6%	3.2%
Specialty stores	22.3	12.5	24.1	11.6	3.1	(1.3)
Total	20.1	15.7	19.7	15.6	4.2	2.1
Quarter						
First quarter	22.3%	18.9%	12.3%	7.8%	4.1%	2.0%
Second quarter	20.6	17.4	19.2	15.2	3.7	1.1
Third quarter	19.5	16.7	21.4	16.7	1.4	(.3)
Fourth quarter	18.9	12.3	23.4	19.8	8.2	4.5

Assets employed and depreciation and amortization expense by operating group and corporate were:

(Dollar amounts in millions)	1984	Percent of total	1983	Percent of total	1982	Percent of total
Assets at year end						
Department stores	$1,122.8	57.7%	$1,018.7	56.8%	$ 987.2	59.3%
Specialty stores	561.7	28.8	479.6	26.8	413.8	24.8
Corporate	262.7	13.5	294.2	16.4	264.3	15.9
Total	$1,947.2	100.0%	$1,792.5	100.0%	$1,665.3	100.0%
Depreciation and amortization						
Department stores	$ 49.8	68.8%	$ 45.9	69.7%	$ 42.8	71.9%
Specialty stores	18.9	26.2	16.4	24.9	13.2	22.1
Corporate	3.6	5.0	3.5	5.4	3.5	6.0
Total	$ 72.3	100.0%	$ 65.8	100.0%	$ 59.5	100.0%

Corporate includes the corporate office, Information Services and Market Services divisions, and investments in finance subsidiaries. Corporate assets exclude investment in Waldenbooks in 1983 and 1982.

Discontinued Operations

In July 1984, the Company sold its Waldenbooks division to K mart Corporation for $295.0 million in cash. The transaction resulted in a net of tax gain of $63.0 million. K mart took over operations of Waldenbooks effective July 29, 1984.

Waldenbooks' sales for the six months ended July 28, 1984 were $196.8 million and for the years ended January 28, 1984 and January 29, 1983 were $417.8 million and $357.1 million.

Interest Expense and Discount

Interest expense and discount, which includes interest expense attributable to the finance subsidiaries (see page 32), increased due to higher average short term borrowings and interest rates.

Components of net interest expense and discount are shown below:

(In millions)	1984	1983	1982
Discount on customer receivables sold to the finance subsidiaries	$ 79.0	$ 71.9	$ 78.1
Pretax earnings of the finance subsidiaries, before noninterest items	(32.0)	(28.3)	(30.8)
Interest expense attributable to the finance subsidiaries	47.0	43.6	47.3
Interest on long term debt	38.3	39.9	39.4
Imputed interest on capitalized lease obligations	12.7	13.2	13.9
Interest on short term debt	19.8	2.1	5.8
Discount on customer receivables sold to banks	13.1	11.7	15.0
Interest income	(2.9)	(2.5)	(.5)
Capitalized interest	(5.6)	(6.2)	(12.2)
Interest expense attributable to discontinued operations	(5.2)	(9.5)	(9.5)
Interest expense and discount, net	$117.2	$ 92.3	$ 99.2

Gains on Sale of Joint Venture Interests	In January 1984, the Company sold its joint venture interest in The Broadway Plaza real estate development in downtown Los Angeles for $8.8 million in cash and $33.1 million in 12¼% Notes due in January 1986. The transaction resulted in a gain of $12.8 million. In February 1984, the notes were sold slightly in excess of face value and were classified as current at January 28, 1984. In 1982, the Company sold a joint venture interest in a real estate development, which resulted in a gain of $3.8 million.
Gains on Retirement of Debentures	Gains on retirement of debentures prior to maturity of $4.2 million ($.06 per share) in 1983, included $1.7 million attributable to the finance subsidiaries. The 1982 gain of $8.0 million ($.25 per share) resulted from nontaxable exchanges of common stock for debentures.
Tax Expense	Taxes, including those of the finance subsidiaries, are summarized below:

(In millions)	1984	1983	1982
Income taxes			
Currently payable			
Federal	$ 5.0	$ (3.4)	$(12.8)
State	3.2	2.1	(.4)
	8.2	(1.3)	(13.2)
Deferred			
Federal	.9	22.5	21.5
State	(.6)	3.0	3.4
	.3	25.5	24.9
Total income taxes	8.5	24.2	11.7
Property taxes	25.7	22.2	21.8
Payroll taxes	56.1	46.2	41.2
Other	3.0	2.0	2.2
Tax expense	$93.3	$94.6	$ 76.9

Deferred income tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and their tax effects were:

(In millions)	1984	1983	1982
Deferred gross profit on installment sales	$ .1	$ (.2)	$ 4.6
Excess of tax over financial depreciation	8.2	11.2	8.0
Deferred charges	1.6	3.3	3.8
Capitalized interest and other real estate costs	1.5	4.1	6.9
Installment sale of joint venture interest	(4.3)	4.3	
Gains on purchases of debentures		1.4	
Deferred compensation	(2.1)	(1.1)	(.1)
Inventory valuation	(1.1)	(1.2)	1.3
Other, net	(3.6)	3.7	.4
Deferred income tax expense	$ .3	$25.5	$24.9

Income taxes as a percent of earnings before income taxes differed from the statutory federal income tax rate as set forth below:

(Dollar amounts in millions)	1984	Percent of pre-tax earnings	1983	Percent of pre-tax earnings	1982	Percent of pre-tax earnings
Federal income tax at statutory rate	$16.4	46.0%	$36.6	46.0%	$24.0	46.0%
Investment credit	(4.9)	(13.8)	(8.8)	(11.0)	(6.0)	(11.6)
State income taxes	1.0	2.8	2.4	3.0	1.7	3.2
Capital gains benefit			(5.5)	(7.0)	(2.5)	(4.8)
ESOB Plan credit	(1.2)	(3.4)	(1.1)	(1.3)		
Tender offer costs	(2.3)	(6.4)				
Nontaxable gain on exchange of common stock for debentures					(3.7)	(7.0)
Other, net	(.5)	(1.3)	.6	.7	(1.8)	(3.5)
Income taxes	$ 8.5	23.9%	$24.2	30.4%	$11.7	22.3%

Receivables and Credit Operations

Accounts receivable at year end were as follows:

(In millions)	1984	1983
Customer receivables	$880.6	$782.0
Notes and other receivables	26.9	54.7
	907.5	836.7
Less		
Customer receivables sold to finance subsidiaries (less $62.3 and $61.6 withheld pending collection and settlement of discount)	561.0	554.7
Customer receivables sold to banks (less $12.8 and $7.9 withheld pending collection and settlement of discount)	207.8	114.2
Allowance for doubtful accounts	13.2	11.5
	782.0	680.4
Accounts receivable, net	$125.5	$156.3

The Company sells without recourse $122.1 million of customer accounts receivable to a bank under a sales agreement which provides for the Company to maintain approximately the same level of outstanding receivables sold by making additional sales on a monthly basis. The Company may cease selling additional accounts receivable under this agreement on appropriate notice. On February 1, 1985, the Company sold, on a one-time basis, without recourse, an additional $98.5 million of certain customer accounts receivable to another bank. Both agreements provide for the Company to continue to service the accounts receivable sold.

Customer receivables arise under credit plans provided by the Company at all divisions except Contempo Casuals, which accepts only third party credit cards. Credit sales under credit plans were 61.4 percent of sales in 1984, 60.4 percent in 1983 and 59.9 percent in 1982, excluding sales of Contempo Casuals. Uncollectable account losses, net of recoveries, were 1.2 percent of credit sales in 1984, 1.7 percent in 1983, and 1.8 percent in 1982.

Finance charge income on credit plans provided by the Company was $109.5 million in 1984, $97.1 million in 1983, and $93.8 million in 1982 and is included in selling, general, and administrative expenses.

Inventories

Merchandise inventories at February 2, 1985, were $717.3 million, 23.7 percent higher than at January 28, 1984. In 1984, the LIFO adjustment to cost of sales was a credit of $17.2 million, compared with charges of $.8 million in 1983 and $1.4 million in 1982. If all inventories had been valued on the first-in, first-out (FIFO) basis, they would have been higher by $31.6 million at February 2, 1985, $48.8 million at January 28, 1984, and $48.0 million at January 29, 1983. The book basis of LIFO inventories of a purchased subsidiary exceeded the tax basis by $10.9 million.

Leases

Company operations are conducted mainly in leased properties which include retail stores, warehouses, offices, and other facilities. Leases are generally for periods of up to thirty years, with renewal options for substantial periods, except for Contempo Casuals leases which are generally for ten to fifteen years. Leases are generally at fixed rentals, except that certain leases provide for additional rentals based on sales in excess of predetermined levels.

Rent expense for each year was as follows:

(In millions)	1984	1983	1982
Minimum rent	$ 54.7	$ 49.4	$ 43.3
Rent based on sales	8.4	5.8	4.3
Total rent expense	$ 63.1	$ 55.2	$ 47.6

Future minimum lease payments are as follows:

(In millions)	Capital leases	Operating leases
1985	$ 18.5	$ 51.4
1986	18.1	51.8
1987	17.5	50.5
1988	17.4	50.4
1989	17.4	50.1
Thereafter	230.9	1,013.6
Total future minimum lease obligations	$ 319.8	$1,267.8
Present value, including $6.1 current portion of capital lease obligations	$ 158.1	$ 336.3

Present value of operating leases is determined by discounting future minimum rent commitments, less assumed executory and administrative costs, at rates which approximate the lessor's financing costs at the inception of the lease.

Property and Equipment, Net

Property and equipment at year end were as follows:

(In millions)	1984	1983
Land	$ 62.4	$ 56.1
Buildings and improvements	270.1	256.7
Leasehold improvements	163.0	137.9
Fixtures and equipment	548.7	518.0
Construction in progress	32.2	24.1
Leased property under capital leases, primarily buildings	223.1	224.6
	1,299.5	1,217.4
Less accumulated depreciation and amortization		
Owned property	377.1	328.4
Leased property under capital leases	98.8	93.4
	475.9	421.8
Property and equipment, net	$ 823.6	$ 795.6

The Company's ongoing program of increasing efficiency in warehousing operations, closing nonproductive stores, and relocating older stores resulted in net credits of $4.8 million in 1983 and $3.4 million in 1982 which have been included in selling, general, and administrative expenses. Gains on the disposition of surplus real estate and facilities were offset by related disposition, relocation, and duplicate operating costs.

Capital expenditures during the year were as follows:

(In millions)	Department stores	Specialty stores	Corporate	Total
1984				
New stores	$35.2	$12.7		$ 47.9
Store modernization	23.1	21.9		45.0
Support facilities and equipment	5.7	6.3	$ 2.4	14.4
Total	$64.0	$40.9	$ 2.4	$107.3
1983				
New stores	$17.3	$24.2		$ 41.5
Store modernization	19.4	19.4		38.8
Support facilities and equipment	4.4	.6	$ 4.8	9.8
Total	$41.1	$44.2	$ 4.8	$ 90.1
1982				
New stores	$17.6	$60.9		$ 78.5
Store modernization	21.5	16.6		38.1
Support facilities and equipment	4.6	1.8	$ 6.5	12.9
Total	$43.7	$79.3	$ 6.5	$129.5

Expenditures for new stores include acquisition costs of land, buildings and improvements, and related fixtures and equipment. Store modernization expenditures include renovating, expanding, and re-equipping existing stores. Support facilities and equipment expenditures relate to office buildings, warehouses, and other nonstore outlays.

Long Term Debt

Long term debt at year end was:

(In millions)	1984	1983
Senior debt		
5½-8¾ percent Notes due 1986-2008	$ 44.9	$ 51.6
9-9.95 percent Notes due 1986-2010	55.2	56.4
11½-12½ percent Notes due 1986	86.3	90.0
13.45 percent Note due 1999 (rate renegotiable in 1991)	50.0	
9⅛-9.45 percent Sinking Fund Debentures due 1988-2008	75.0	75.0
11⅞ percent Sinking Fund Debentures due 1991-2010	75.0	75.0
Other	3.3	3.3
	389.7	351.3
4¾ percent Convertible Subordinated Debentures due 1987, convertible into common stock at $41.50 per share	7.0	7.0
Long term debt	$396.7	$358.3

Principal maturities of long term debt payable over the next five years are $3.2 million, $90.0 million, $10.5 million, $4.2 million, and $5.6 million. Long term debt at February 2, 1985 includes $144.2 million secured by property carried at $150.7 million.

Contingencies

The Company is a party to litigation relating to the offer by The Limited, Inc. to purchase shares of the Company's common stock. To date the Company has been successful in defending its actions and, in the opinion of management, the ultimate outcome of this litigation will not have a material adverse effect upon the Company's financial position or results of operations. In addition, the Company is a defendant in certain other legal actions. In the opinion of management, the disposition of these actions also will not have a material adverse effect upon the Company's financial position or results of operations.

Bank Credit Arrangements

In October 1984, the Company and Credit Corp. entered into a Credit Agreement which replaced the existing revolving credit agreements. The Credit Agreement provides $500.0 million of loan commitments under either or a combination of two credit facilities available jointly to the Company and Credit Corp. at variable rates of interest. Facility A provides for one-year revolving loan commitments, which may be extended for successive periods of 364 days. Facility B provides for three-year revolving loan commitments, which may be extended for successive periods of one year. Upon termination of the Facility B revolving loan commitments, any Facility B revolving loans then outstanding may be converted into a seven-year term loan. A commitment fee is payable on the unused portion. At February 2, 1985, no amounts were borrowed under the Credit Agreement.

The Company and Credit Corp. also share $180.0 million of unsecured lines of credit. Borrowings under these lines are at prime rates of interest or lower with a commitment fee payable on any unused portion. At February 2, 1985, $96.8 million of these lines were available for additional borrowings.

Retirement and Profit Sharing Plans

The Company has several qualified noncontributory pension plans covering substantially all employees. An analysis of accumulated pension benefits and plan net assets, based on the latest available actuarial information prepared as of December 31, 1984 and 1983 is as follows:

(In millions)	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	$123.7	$101.0
Nonvested	9.0	7.8
	$132.7	$108.8
Net assets available for plan benefits	$112.6	$ 93.1

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9.0 percent in 1984 and 1983.

The actuarially computed pension expense for the qualified plans, using an interest rate assumption of 9.0 percent in 1984 and 8.5 percent in 1983 and 1982, was $7.5 million in 1984, $9.4 million in 1983, and $9.8 million in 1982. The effect of the change in interest rate assumption was to reduce pension expense by $1.0 million. The Company's contribution policy resulted in contributions exceeding the amount expensed by $10.7 million in 1984 and $12.0 million in 1983. The additional contributions were made shortly after the end of each fiscal year and are reflected in the 1984 and 1983 net assets available for plan benefits. The Company's contribution policy is based on its program, begun in 1983 and expected to be completed in 1986, to increase net assets available for plan benefits to equal the actuarial present value of accumulated plan benefits. Pension contributions in excess of pension expense are being amortized to pension expense over the remaining actuarial amortization period.

The Company also has unfunded nonqualified pension plans for certain employees for which $3.5 million was charged to expense in 1984, $2.1 million in 1983, and $1.6 million in 1982. The actuarial present value of accumulated benefits for these plans was $26.6 million at February 2, 1985, of which $14.1 million was vested, and $16.0 million at January 28, 1984, of which $10.2 million was vested. The value of book reserves for these plans was $7.7 million at February 2, 1985 and $6.1 million at January 28, 1984.

A contributory Profit Sharing Plan is available to substantially all domestic employees who have completed one year of service. The Company encourages employees to participate by allocating 3.0 percent of the Company's pretax earnings, as defined, to employees who participate in the Plan. Employee and Company contributions are used to buy shares of the Company's common stock at prevailing market prices. At February 2, 1985, the Plan held 6.3 million shares, representing 33 percent of the Company's common stock outstanding. The Company's contribution to the Plan was $1.4 million in 1984, $2.7 million in 1983, and $1.8 million in 1982.

In 1983, the Company adopted a payroll-based employee stock ownership benefit plan (ESOB Plan) covering substantially all employees eligible under the retirement and profit sharing plans. The Plan is noncontributory and all eligible employees are fully vested for their share of the Companys' annual contribution which was $2.3 million in 1984 and $2.1 million in 1983. The Company receives a direct income tax credit for the amount of its contribution which is equal to ½% of the payroll of eligible employees.

The Company also paid social security taxes of $44.5 million in 1984, $37.5 million in 1983, and $32.8 million in 1982, most of which may be regarded as an additional retirement benefit cost.

Employee Stock Option Plans

The Company's stock option plans provide that key employees may be granted options to purchase the common stock of the Company at not less than the market price on the date of grant. Options may be exercised over a ten-year period beginning one year from the date of grant. At February 2, 1985, options for 1,514,917 shares were outstanding at prices ranging from $13.25 to $28.75 of which options for 814,851 shares were exercisable, including outstanding options for 549,850 shares with stock appreciation rights attached, of which 316,374 were exercisable. At January 28, 1984, options for 1,517,088 shares were outstanding.

Carter Hawley Hale Finance Subsidiaries

The Company finances customer accounts receivable through its unconsolidated finance subsidiaries, Credit Corp., CHH Finance Corp., and Carter Hawley Hale Overseas Finance N.V. In addition to capital invested by the Company and accumulated earnings, the finance subsidiaries finance the purchase of customer accounts receivable through bank borrowings and debt issuances. The finance subsidiaries purchase the receivables at discounts sufficient to cover their fixed charges, principally interest expense, at least one and one-half times. Net earnings of the finance subsidiaries were $16.5 million in 1984, $15.3 million in 1983, and $15.9 million in 1982. During 1984, dividends totaling $30.0 million were paid to the Company by the finance subsidiaries. The combined balance sheet of the finance subsidiaries, which reflects the elimination of all intercompany items, is presented below:

(In millions)	February 2, 1985	January 28, 1984
Assets		
Customer accounts purchased from Carter Hawley Hale Stores, Inc., less 10 percent withheld pending collection and settlement of discount	$561.0	$554.7
Cash and other assets	1.4	2.5
	$562.4	$557.2
Liabilities and Investment of Carter Hawley Hale Stores, Inc.		
Notes payable	$ 50.0	$ 14.0
Accrued liabilities	10.4	11.4
8.45 percent Notes due 1985-1997	25.0	25.0
9.75 percent Notes due 1986	50.0	50.0
11.75-12.00 percent Notes due 1985-1988	263.0	263.0
10.60-11.25 percent Capital Notes due 1985	13.1	28.4
8.95 percent Subordinated Notes due 1985-1991	7.0	8.0
Investment of Carter Hawley Hale Stores, Inc. (including $54.9 and $68.4 of accumulated earnings)	143.9	157.4
	$562.4	$557.2

Redeemable Preferred Stock	In April 1984, the Company sold one million shares of a new series of Cumulative Preferred Stock, $5 par value (Stock) to General Cinema Corporation for an aggregate purchase price of $300.0 million. The Stock provides for cumulative annual dividends, carried an initial 13% dividend rate, which was reduced to 10% in August 1984, and entitles the holder to 11.11 votes for each share held. The Stock is currently convertible at the holder's option into 12,227,004 shares of common stock of the Company at a rate determined by dividing the redemption value by the conversion price, as defined. The current conversion price of $24.536 is subject to change upon issuance or sale of common stock at less than the market value or the current conversion price. At February 2, 1985, the common stock market price was $26.625. The Stock has a $300 per share redemption value and is redeemable, at the Company's option, in whole or in part, beginning April 15, 1989 with a premium decreasing from five to one percent of the redemption value payable on each redemption during the period April 15, 1989 through April 14, 1994. The Company is required on an annual basis, commencing in April 1990, to redeem 20% of the Stock then outstanding. At February 2, 1985, five million shares of preferred stock have been authorized.
Nonredeemable Preferred Stock, Common Stock, and Other Shareholders' Equity	In April 1984, the Company purchased on the open market 17,952,700 shares of its common stock for $478.6 million, including related costs. At February 2, 1985, authorized common stock consisted of 60 million shares, $5 par value, of which 12,395,797 shares have been reserved for issuance upon conversion of outstanding convertible securities, 1,620,079 shares have been reserved under the employee stock option plans, 1,990,870 shares have been reserved for purchase by the Profit Sharing Plan, and 1,232,325 shares have been reserved for issuance under the Dividend Reinvestment and Stock Purchase Plan. In July 1984, the Company redeemed the remaining 127,566 shares outstanding of its $2 Convertible Preferred Stock at $45 per share. Prior to redemption by the Company, each share was convertible into 1.6875 shares of common stock. During 1984, 582,070 shares were converted, compared with 102,253 shares in 1983 and 90,031 shares in 1982. Certain of the Company's debt agreements restrict the amount of accumulated earnings that may be distributed in dividends. At February 2, 1985, under the most restrictive of these covenants, $87.5 million of accumulated earnings were available for the payment of dividends.
Dividends	Cash dividends per share of common stock were $1.22 in each of the last three years ($.305 each quarter) and totaled $23.0 million, $42.0 million, and $37.8 million. Total dividends on common stock were 25.7 percent of net earnings in 1984, compared with 62.2 percent in 1983 and 77.1 percent in 1982. Excluding dividends reinvested in common stock of $7.0 million in 1984, $12.8 million in 1983, and $11.6 million in 1982, dividends on common stock were 17.9 percent of net earnings in 1984, compared with 43.3 percent in 1983 and 53.5 percent in 1982. The Company has paid cash dividends on its common stock in each of the past 43 years. Cash dividends on nonredeemable preferred stock were $.58 per share in 1984, through the date of redemption, and were $2.00 per share in 1983 and 1982 ($.50 each full quarter). Cash dividends totaled $.1 million in 1984, $1.5 million in 1983, and $1.7 million in 1982. Cash dividends on redeemable preferred stock were $27.0 million in 1984.
Dividend Reinvestment and Stock Purchase Plan	The Dividend Reinvestment and Stock Purchase Plan allows holders of common stock to elect to have their quarterly dividends reinvested in shares of the Company's common stock. The Plan also enables participants to make direct cash purchases of common stock at the market price. Under the Plan, 155,555 shares were issued in 1984, compared with 275,996 shares in 1983 and 385,197 shares in 1982. At February 2, 1985, 1,857 common shareholders representing 2,057,935 total shares were participating in the Plan.

Foreign Currency Translation

The Company's 1984 financial statements reflect the translation of the financial data of Holt Renfrew from Canadian to U.S. dollars pursuant to Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation." Additionally, sales, cost of goods sold, and selling, general, and administrative expenses for 1983 and 1982 have been restated for comparative purposes. The effect on net income for each year was not material. The cumulative translation adjustment reflected in accumulated earnings was $4.7 million at February 2, 1985.

Inflation and Changing Prices (Unaudited)

Increased levels of inflation during the past decade have had a significant impact on the U.S. economy. Inflation has led to greater price resistance on the part of consumers, particularly for those goods and services that have experienced the highest rates of price increases. The merchandise sold by general merchandise retailers has been subject to less price inflation than most of the goods and services measured by the Consumer Price Index, and, therefore, it is believed that the Company and similar retailers have encountered less resistance to increased prices than many other sectors of the economy. In addition, the Company has directed its merchandising efforts toward customers whose income levels provide them with larger amounts of discretionary spending, and it is believed that their spending patterns are less affected by inflation.

Steps have also been taken to limit the effect of inflation on the Company's operating expenses by staffing more effectively, reducing energy consumption, managing working capital more effectively, and giving increased attention to cost control and efficiency. Also, the Company has accelerated its efforts to improve productivity, particularly through greater use of data processing systems, including electronic point-of-sale devices, which have been installed in almost all stores. The Company is well protected against inflation in rentals of existing stores, since leases, other than for Contempo Casuals stores, generally are at fixed rates for terms of up to 30 years with renewal options for substantial periods.

The rate of inflation has declined substantially in the last three years, and favorable effects on operating expenses and interest rates have become evident. In addition, improvement in the Company's rate of sales growth during 1984, 1983, and the latter part of 1982 is believed to be due in part to the growth in consumer real incomes that has resulted from lower rates of inflation during that period.

Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices," requires that the effects of inflation on the Company be measured and disclosed by adjustment of the historical financial information for those items that are most affected by changing prices (i.e., inventories, property and equipment, cost of goods sold, and depreciation and amortization). Due to the complexities of measuring the effects of inflation, these disclosures are considered to be experimental in nature and should be viewed only as an attempt to estimate the approximate effects of inflation on the Company and not as a precise measurement.

The following financial information has been adjusted to reflect the current cost of purchasing or replacing certain assets used in operations. Inventory has been adjusted to the FIFO method of inventory valuation which approximates current cost. Inflation adjustments for property and equipment have been approximated by using current construction cost estimates, published building industry cost indices, and actual costs of recently completed stores and improvements. Depreciation and amortization expense inflation adjustment has been computed on the basis of historical depreciation methods and lives applied to inflation adjusted costs of property and equipment. Cost of goods sold inflation adjustment is not required since the LIFO method of inventory valuation used in the historical financial statements approximates current costs.

The Statement does not permit adjustments to income tax expense for the effects of inflation. The effective tax rate of 24 percent becomes 224 percent when adjusted for the effects of inflation, indicating the significant hidden impact of inflation on income taxes and emphasizing the need for taxation policies that give recognition to the effects of inflation.

1984 Earnings from Continuing Operations Adjusted for Inflation (Unaudited)

(In millions, except per share data)	
Earnings from continuing operations before income taxes, as reported	$ 35.6
Depreciation and amortization adjustment	(31.8)
Earnings from continuing operations before income taxes, adjusted for inflation	3.8
Income taxes	8.5
Net loss from continuing operations adjusted for inflation	$ (4.7)
Earnings (loss) per share from continuing operations adjusted for inflation	$ (1.40)

The preceding table indicates that the effects of inflation when calculated as prescribed by the Statement may have had a negative impact on earnings. However, inflation also affects monetary assets, such as cash or receivables, and liabilities to others. The following table shows the effects of inflation including the purchasing power gain from net monetary liabilities:

(In millions, except per share data)	
Net loss from continuing operations, as above	$ (4.7)
Purchasing power gain from net monetary liabilities	30.8
Net earnings from continuing operations adjusted for inflation and purchasing power gain from net monetary liabilities	$ 26.1
Earnings (loss) per share from continuing operations adjusted for inflation and purchasing power gain from net monetary liabilities	$ (.04)
Decrease for the year in current cost of inventories and property and equipment *	$ (38.5)
General inflation effect on change in current cost	70.8
Decrease in current cost net of general inflation	$(109.3)

*At February 2, 1985, current cost of inventories was $748.9 million and current cost of net property and equipment was $1,243.3 million.

Five Year Comparison of Selected Financial Data Adjusted for Inflation (Unaudited) (In average 1984 dollars)

(In millions, except per share and Consumer Price Index data)	1984	1983	1982	1981	1980
Net sales using					
CPI-U	$3,724.3	$3,232.2	$2,787.2	$2,828.4	$2,898.3
BLS index	3,724.3	3,148.8	2,702.0	2,707.1	2,662.8
Historical cost information adjusted for inflation					
Net earnings (loss) from continuing operations	(4.7)	19.7	7.9	9.9	25.3
Earnings (loss) per share from continuing operations	(1.40)	.53	.19	.27	.81
Net assets at year end	1,088.1	1,343.1	1,342.5	1,254.8	1,325.0
Other information					
Purchasing power gain from net monetary liabilities	30.8	34.1	29.2	62.6	78.2
Excess of increase in general price level over increase in current cost	109.3	90.2	(43.5)	110.3	53.2
Cash dividends per common share	1.22	1.27	1.31	1.39	1.45
Market price per common share at year end	26¼	22⅛	17	16⅝	24⅜
Average Consumer Price Index	312.0	299.4	290.0	274.2	249.1

Company Report on Responsibility for Financial Statements

The integrity and objectivity of the financial statements, including estimates and judgments inherent in the preparation of financial information and the selection of appropriate accounting principles, are the responsibilities of the Company, as is all other information included in this Annual Report.

The Company maintains a system of internal accounting controls, supported by documentation, to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Company. Limitations exist in any system of internal accounting controls based upon the recognition that the cost of the system should not exceed the benefits derived. The Company believes its system of internal accounting controls, augmented by its internal auditing function, appropriately balances the cost/benefit relationship. The system provides for the prevention or detection of material errors and has been implemented and supported by written policies and guidelines, the internal audit function, a division of responsibility in organizational arrangements, and the selection and training of qualified personnel.

The financial statements have been examined by our independent accountants in accordance with generally accepted auditing standards in order that they might render their independent professional opinion, which is presented below. To express their opinion, independent accountants develop and maintain an understanding of the accounting and financial systems and controls, conduct tests, and employ such related audit procedures as they consider necessary.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent accountants, management, and internal auditors to discuss accounting principles, financial and accounting controls, the scope of the annual audit, internal audit, and other matters. Management's selection of independent accountants is reviewed by this committee and the independent accountants and the internal auditors have complete access to it, without management present, to discuss results of their audit and their opinions on adequacy of internal controls, quality of financial reporting, and any other matters of interest.

Report of Independent Accountants

To the Directors and Shareholders of
Carter Hawley Hale Stores, Inc.

400 South Hope Street
Los Angeles, California 90071
March 29, 1985

Price Waterhouse

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of earnings, changes in financial position and nonredeemable preferred stock, common stock and other shareholders' equity present fairly the financial position of Carter Hawley Hale Stores, Inc. and its consolidated subsidiaries at February 2, 1985 and January 28, 1984, and the results of their operations and the changes in their financial position for each of the three fiscal years in the period ended February 2, 1985, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Quarterly Information *(Unaudited)*

Carter Hawley Hale Stores, Inc.

(In millions, except per share data)	First quarter	Second quarter	Spring	Third quarter	Fourth quarter	Fall	Year
1984							
Sales	$744.5	$789.9	$1,534.4	$874.7	$1,315.2	$2,189.9	$3,724.3
Cost of goods sold, including occupancy and buying costs	532.4	605.7	1,138.1	619.6	944.4	1,564.0	2,702.1
Selling, general, and administrative expenses	177.8	180.7	358.5	210.9	292.9	503.8	862.3
Interest expense and discount, net	23.3	32.0	55.3	29.9	32.0	61.9	117.2
Pretax earnings from continuing operations before nonoperating expense	11.0	(28.5)	(17.5)	14.3	45.9	60.2	42.7
Nonoperating expense		(7.1)	(7.1)				(7.1)
Pretax earnings from continuing operations	11.0	(35.6)	(24.6)	14.3	45.9	60.2	35.6
Income taxes	3.7	(13.8)	(10.1)	5.3	13.3	18.6	8.5
Earnings from continuing operations	7.3	(21.8)	(14.5)	9.0	32.6	41.6	27.1
Discontinued operations, net of tax							
Earnings (loss) from operations	1.2	(1.7)	(.5)				(.5)
Gain on sale		63.1	63.1				63.1
Net earnings	$ 8.5	$ 39.6	$ 48.1	$ 9.0	$ 32.6	$ 41.6	$ 89.7
Primary earnings per share							
Continuing operations before nonoperating expense	$ .17	$ (1.61)	$ (.94)	$ .05	$ 1.29	$ 1.35	$ .05
Nonoperating expense		(.05)	(.04)				(.05)
	.17	(1.66)	(.98)	.05	1.29	1.35	
Discontinued operations	.04	(.09)	(.02)				(.02)
Gain on sale		3.33	2.39				2.77
	$ .21	$ 1.58	$ 1.39	$ .05	$ 1.29	$ 1.35	$ 2.75
Fully diluted earnings per share							
Continuing operations before nonoperating expense		$ (.66)			$ 1.03	$ 1.31	$ .86
Nonoperating expense		(.03)					(.03)
		(.69)			1.03	1.31	.83
Discontinued operations		(.05)					(.02)
Gain on sale		2.00					1.91
	$ *	$ 1.26	$ *	$ *	$ 1.03	$ 1.31	$ 2.72

*Fully diluted earnings per share are anti-dilutive and are not shown.

(In millions, except per share data)	First quarter	Second quarter	Spring	Third quarter	Fourth quarter	Fall	Year
1983							
Sales	$608.9	$654.8	$1,263.7	$732.1	$1,105.9	$1,838.0	$3,101.7
Cost of goods sold, including occupancy and buying costs	431.3	474.5	905.8	520.8	813.8	1,334.6	2,240.4
Selling, general, and administrative expenses	147.3	149.3	296.6	182.6	227.2	409.8	706.4
Interest expense and discount, net	23.2	23.3	46.5	22.8	23.0	45.8	92.3
Pretax earnings from continuing operations before nonoperating income	7.1	7.7	14.8	5.9	41.9	47.8	62.6
Nonoperating income				1.4	15.6	17.0	17.0
Pretax earnings from continuing operations	7.1	7.7	14.8	7.3	57.5	64.8	79.6
Income taxes	2.1	3.6	5.7	2.2	16.3	18.5	24.2
Earnings from continuing operations	5.0	4.1	9.1	5.1	41.2	46.3	55.4
Earnings from discontinued operations, net of tax	1.2	.6	1.8	.6	9.7	10.3	12.1
Net earnings	$ 6.2	$ 4.7	$ 10.9	$ 5.7	$ 50.9	$ 56.6	$ 67.5
Primary earnings per share							
Continuing operations before nonoperating income	$ .14	$ .11	$ .25	$ .11	$ .89	$ 1.00	$ 1.26
Nonoperating income				.02	.30	.32	.31
	.14	.11	.25	.13	1.19	1.32	1.57
Discontinued operations	.04	.02	.06	.02	.28	.30	.36
	$ .18	$ .13	$ .31	$ .15	$ 1.47	$ 1.62	$ 1.93
Fully diluted earnings per share							
Continuing operations before nonoperating income	$ .15	$ .11	$ .26	$ .11	$ .89	$ 1.00	$ 1.26
Nonoperating income				.02	.28	.30	.30
	.15	.11	.26	.13	1.17	1.30	1.56
Discontinued operations	.03	.02	.05	.02	.27	.29	.34
	$ .18	$ .13	$ .31	$ .15	$ 1.44	$ 1.59	$ 1.90

(In millions, except per share data)	First quarter	Second quarter	Spring	Third quarter	Fourth quarter	Fall	Year
1982							
Sales	$541.9	$549.3	$1,091.2	$603.0	$ 896.4	$1,499.4	$2,590.6
Cost of goods sold, including occupancy and buying costs	381.6	392.7	774.3	422.1	655.2	1,077.3	1,851.6
Selling, general, and administrative expenses	130.7	129.1	259.8	154.3	185.4	339.7	599.5
Interest expense and discount, net	25.7	27.7	53.4	23.3	22.5	45.8	99.2
Pretax earnings from continuing operations before nonoperating income	3.9	(.2)	3.7	3.3	33.3	36.6	40.3
Nonoperating income	2.7	2.4	5.1	3.9	2.9	6.8	11.9
Pretax earnings from continuing operations	6.6	2.2	8.8	7.2	36.2	43.4	52.2
Income taxes	1.6	.2	1.8	2.3	7.6	9.9	11.7
Earnings from continuing operations	5.0	2.0	7.0	4.9	28.6	33.5	40.5
Earnings from discontinued operations, net of tax	.3	(.3)		(.2)	8.7	8.5	8.5
Net earnings	$ 5.3	$ 1.7	$ 7.0	$ 4.7	$ 37.3	$ 42.0	$ 49.0
Primary earnings per share							
Continuing operations before nonoperating income	$ .07	$ (.03)	$ .04	$ .07	$ .82	$ .89	$ .93
Nonoperating income	.09	.08	.17	.08	.09	.17	.34
	.16	.05	.21	.15	.91	1.06	1.27
Discontinued operations	.01	(.01)		(.01)	.29	.28	.28
	$ .17	$ .04	$ .21	$ .14	$ 1.20	$ 1.34	$ 1.55
Fully diluted earnings per share							
Continuing operations before nonoperating income	$ .08	$	$	$ .07	$ .80	$ .87	$ .94
Nonoperating income	.08			.08	.09	.17	.33
	.16			.15	.89	1.04	1.27
Discontinued operations	.01			(.01)	.27	.26	.26
	$ .17	$ *	$ *	$ .14	$ 1.16	$ 1.30	$ 1.53

*Fully diluted earnings per share are anti-dilutive and are not shown.

Ten Year Financial Summary

Carter Hawley Hale Stores, Inc.

	(Dollar amounts in thousands, except per share data)	1984(1)	1983
For the year	Sales	$3,724,294	$3,101,682
	Percent increase from prior year	20.1	19.7
	Cost of goods sold, including occupancy and buying costs	2,702,055	2,240,404
	Selling, general, and administrative expenses	862,272	706,368
	Earnings from continuing operations before interest expense, nonoperating income, and income taxes	159,967	154,910
	Net interest expense and discount	117,237	92,345
	Nonoperating income(3)	(7,100)	17,020
	Earnings from continuing operations before income taxes	35,630	79,585
	Income taxes	8,500	24,200
	Earnings from continuing operations	27,130	55,385
	Discontinued operations, net of tax(4)	62,540	12,100
	Net earnings	89,670	67,485
	Percent increase (decrease) from prior year	32.9	37.7
	Cash dividends	50,129	43,454
	Store property and equipment expenditures	107,284	90,100
Per common share	Book value	$ 18.26	$ 21.27
	Book value assuming conversion of preferred	20.71	21.44
	Primary earnings	2.75	1.93
	Fully diluted earnings	2.72	1.90
	Cash dividends	1.22	1.22
At year end	Accounts receivable, including accounts sold	$ 894,274	$ 825,254
	Merchandise inventories	717,300	579,944
	Owned property and equipment, net	699,295	664,397
	Leased property under capital leases, net	124,274	131,169
	Total assets	1,947,206	1,961,694
	Long term debt	396,654	358,268
	Capital lease obligations	152,006	158,075
	Redeemable preferred stock	300,000	
	Nonredeemable preferred stock, common stock, and other shareholders' equity	348,166	783,533
	Common shares outstanding (in thousands)	19,067	35,341
	Common shareholders	10,692	13,182
	Employees	56,000	52,000

(1)Fifty-three weeks.
(2)Reflects change to LIFO valuation of specialty store inventories.
(3)Includes tender offer costs of $7.1 million in 1984, gains on sale of joint venture interests of $12.8 million in 1983 and $3.8 million in 1982, and gains on retirement of debentures of $4.2 million in 1983, $8.0 million in 1982, $10.5 million in 1981, $3.1 million in 1980, and $1.8 million in 1979.
(4)Includes gain on sale of Waldenbooks of $63.0 million in 1984.

1982	1981(2)	1980	1979	1978(1)	1977	1976	1975
$2,590,650	$2,485,697	$2,313,960	$2,145,410	$1,888,714	$1,462,631	$1,329,407	$1,221,635
4.2	7.4	7.9	13.6	29.1	10.0	8.8	11.0
1,851,566	1,755,831	1,611,802	1,488,450	1,318,585	1,016,860	932,498	858,452
599,493	593,321	556,355	491,530	419,314	321,291	292,514	254,258
139,591	136,545	145,803	165,430	150,815	124,480	104,395	108,925
99,237	91,412	72,348	59,158	47,424	36,738	34,132	32,181
11,806	10,542	3,076	1,820				
52,160	55,675	76,531	108,092	103,391	87,742	70,263	76,744
11,650	16,350	26,600	44,600	46,900	39,000	29,993	35,260
40,510	39,325	49,931	63,492	56,491	48,742	40,270	41,484
8,515	5,437	7,410	5,570	6,780	4,950	4,010	2,940
49,025	44,762	57,341	69,062	63,271	53,692	44,280	44,424
9.5	(21.9)	(17.0)	9.2	17.8	21.3	(0.3)	28.1
39,450	36,262	33,616	31,073	27,289	24,552	23,022	20,523
129,469	114,987	155,493	131,438	105,910	97,429	76,611	87,884
$ 20.58	$ 20.97	$ 20.69	$ 19.76	$ 18.25	$ 16.74	$ 15.68	$ 14.78
20.84	21.25	21.23	20.52	19.25	17.96	17.08	16.30
1.55	1.55	2.08	2.64	2.49	2.14	1.75	1.88
1.53	1.51	1.97	2.44	2.30	1.99	1.66	1.76
1.22	1.22	1.16	1.10	1.00	.95	.90	.83
$ 782,387	$ 734,853	$ 647,644	$ 594,742	$ 497,368	$ 384,230	$ 328,814	$ 291,287
485,370	439,227	376,387	344,553	309,332	234,416	213,474	206,507
652,042	615,813	565,218	462,590	424,768	331,558	280,938	259,230
138,377	148,842	156,724	166,494	182,296	184,815	180,952	178,636
1,826,314	1,686,150	1,611,548	1,454,207	1,379,014	1,164,278	1,063,786	1,027,049
415,366	404,438	403,317	304,360	304,885	218,218	206,780	205,121
164,376	174,677	181,733	190,291	204,744	200,733	194,212	189,637
692,972	647,039	620,217	580,783	528,161	481,170	444,877	422,664
31,890	28,920	26,540	25,192	24,148	23,470	22,729	22,620
13,288	12,864	12,870	13,611	14,218	14,350	14,098	13,278
49,000	49,000	48,000	50,000	51,000	39,000	38,000	38,000

Directors

Carter Hawley Hale Stores, Inc.

Robert O. Anderson	Chairman of the Board of Atlantic Richfield Company. Director since 1975.(4)
Norman Barker, Jr.	Chairman of the Board of First Interstate Bank, Ltd. Director since 1970.(1,2,3,4)
Benjamin F. Biaggini	Chairman Retired of Southern Pacific Company. Director since 1983.(2,3,5)
William L. Brown	Chairman and Chief Executive Officer of Bank of Boston Corporation and its principal subsidiary, The First National Bank of Boston. Director since 1984.(2)
Waldo H. Burnside	President and Chief Operating Officer of Carter Hawley Hale Stores, Inc. Director since 1980.(1)
Edward W. Carter	Chairman of the Board Emeritus of Carter Hawley Hale Stores, Inc. Director since 1946.(1)
Arthur L. Crowe	Executive Vice President of Carter Hawley Hale Stores, Inc. Director since 1977.(5)
John T. Dorrance, Jr.	Chairman of the Executive Committee of Campbell Soup Company. Director since 1978.(2,4)
Samuel Frankenheim	Senior Vice President, General Counsel, and a member of the Office of the Chairman of General Cinema Corporation. Director since 1984.(4)
Walter B. Gerken	Chairman of the Board and Chief Executive Officer of Pacific Mutual Life Insurance Company. Director since 1977.(1,3,4,5)
Prentis C. Hale	Chairman of the Board of Hale Systems, Inc. Director since 1949.
Philip M. Hawley	Chairman of the Board and Chief Executive Officer of Carter Hawley Hale Stores, Inc. Director since 1970.(1)
Harold J. Haynes	Senior Counselor to the Bechtel Group, Inc. Director since 1977.(2,3,4)
J. Atwood Ives	Vice Chairman, Chief Financial Officer and a member of the Office of the Chairman of General Cinema Corporation. Director since 1984.(1,2)
Herbert W. Jarvis	President and Chief Executive Officer of Sybron Corporation. Director since 1984.(3)
Donn B. Miller	Partner in the Los Angeles law firm of O'Melveny & Myers. Director since 1974.(1)
Walter J. Salmon	Stanley Roth Sr. Professor of Retailing at the Graduate School of Business Administration, Harvard University. Director since 1974.(2,5)
Jean Head Sisco	Partner in Sisco Associates, Management Consultants. Director since 1977.(2,5)
Richard A. Smith	Chairman of the Board, Chief Executive Officer, and a member of the Office of the Chairman of General Cinema Corporation. Director since 1984.(1)
Robert J. Tarr, Jr.	President, Chief Operating Officer, and a member of the Office of the Chairman of General Cinema Corporation. Director since 1984.(3)
William B. Thalhimer, Jr.	Chairman of the Board and Chief Executive Officer of Thalhimer Brothers, Incorporated, a subsidiary of Carter Hawley Hale Stores, Inc. Director since 1978.(1,5)
Hugo Uyterhoeven	Timken Professor of Business Administration and Senior Associate Dean for External Relations at the Graduate School of Business Administration, Harvard University. Director since 1984.(5)

(1) Executive Committee
(2) Audit Committee
(3) Compensation Committee
(4) Nominating Committee
(5) Public Policy Committee

Corporate Officers and Division Management

Carter Hawley Hale Stores, Inc.

Corporate Officers

Philip M. Hawley
Chairman of the Board and Chief Executive Officer

Waldo H. Burnside
President and Chief Operating Officer

Arthur L. Crowe
Executive Vice President

John M. Gailys
Executive Vice President and Chief Financial Officer

J. Hart Lyon
Executive Vice President

Edward S. Waterbury
Senior Vice President

D. Clair Brumbaugh
Vice President

E. J. Caldecott
Vice President

Paul E. Chevalier
Vice President

Arthur G. Coons
Vice President

Brian L. Fleming
Vice President

Robert J. Gilmartin
Vice President

Matthew J. Guglielmo
Vice President

Richard P. Hauser
Vice President

Harry Levitt
Vice President

Donald G. Livingston
Vice President

J. Scott Meyer
Vice President

Larry Petersen
Vice President

Francis T. Phalen
Vice President

E. Harlin Smith
Vice President

Philip B. Sobel
Vice President

Dale G. Thune
Vice President

Walter W. Tuthill
Vice President

John F. Busey
Treasurer

James L. Vandeberg
Secretary and Corporate Counsel

Division Management

Department Stores

The Broadway–Southern California
M. W. Proudfoot, Chairman
H. Michael Hecht, President

The Broadway–Southwest
Steven P. Marra, President

Emporium Capwell
David H. Folkman, President
Jack L. Richardson, Chairman

Thalhimers
William B. Thalhimer, Jr., Chairman
Charles G. Thalhimer, Vice Chairman
Stewart M. Kasen, President

John Wanamaker
Richard L. Boje, Chairman
Jeffrey W. Comment, President

Weinstock's
Cheryl Nido Turpin, President

Specialty Stores

Bergdorf Goodman
Ira Neimark, Chairman
Dawn Mello, President

Contempo Casuals
Eve A. Rich, Chairman
Bernard Zeichner, President

Holt Renfrew
Lenard M. Shavick, Chairman
Robert W. Herber, President

Neiman-Marcus
Richard C. Marcus, Chairman
David L. Dworkin, President

Support Divisions

Information Services
R. Vincent Conant, President

Market Services

Shareholder Information

Carter Hawley Hale Stores, Inc.

Executive Offices	550 South Flower Street, Los Angeles, California 90071, Telephone: (213) 620-0150
Common Stock	Symbol: CHH, New York Stock Exchange, Pacific Stock Exchange, London Stock Exchange
Transfer Agent and Registrar	Security Pacific National Bank, Corporate Services Division, 2-70, P.O. Box 60228, Terminal Annex, Los Angeles, California 90060
Independent Accountants	Price Waterhouse
General Counsel	O'Melveny & Myers, Los Angeles
Annual Meeting	The annual meeting of shareholders will be held at the Hyatt Regency Hotel, Broadway Plaza, Hope and Seventh Streets, Los Angeles, California, on Tuesday, June 4, 1985, at 10:00 a.m.
Form 10-K	A copy of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission is available upon request to: The Secretary, Carter Hawley Hale Stores, Inc., 550 South Flower Street, Los Angeles, California 90071.
Dividend Reinvestment Plan	Carter Hawley Hale's dividend reinvestment service is a convenient way for shareholders to increase their investment in the Company. It enables shareholders to apply quarterly dividends or cash deposits they may wish to make toward the purchase of additional shares of Carter Hawley Hale common stock. For information write to Security Pacific National Bank, Corporate Services Division, 2-70, P.O. Box 60228, Terminal Annex, Los Angeles, California 90060.

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Market Price Ranges of Common Stock	1984	\$32-18⅜	\$31½-19	\$23⅝-19½	\$27-22⅜	\$32-18⅜
	1983	\$23⅞-15½	\$24⅜-20½	\$24-20½	\$24½-21¼	\$24½-15½
	1982	\$15-13⅛	\$14¾-11¾	\$15⅞-10⅝	\$17⅛-14⅝	\$17⅛-10⅝

The New York Stock Exchange is the principal market on which the common stock is traded.
The redeemable preferred stock is not traded.

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MAY 1985

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